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July 16, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02202

Re: D.T.E. 04-68 - Petition of Boston Edison Company d/b/a NSTAR Electric for
Approvals Relating to the Assignment of Power Purchase Agreements with Ocean
State Power and Ocean State Power II

Dear Secretary Cottrell:

Enclosed is an original and nine copies of the Petition for Approvals Relating to Assignment of Purchase Power Agreements with Ocean State Power and Ocean State Power II (the "Petition"), with accompanying testimony and supporting exhibits, submitted by Boston Edison Company d/b/a NSTAR Electric ("NSTAR Electric" or the "Company"). The Petition requests approval of: (1) the assignment of the Company's existing Power Purchase Agreements (the "Existing PPAs") with Ocean State Power and Ocean State Power II (collectively, "OSP"); and (2) ratemaking treatment associated with the costs relating to the assignment.

The Company is seeking Department approval of the Purchase and Sale Agreement between the Company and TransCanada Energy Ltd. (the "TransCanada Purchase and Sale Agreement"), to effect the assignment of the Company's existing purchase power agreements with OSP. The TransCanada Purchase and Sale Agreement will result in customer savings of approximately \$12 million on a net-present-value basis. The Company is also proposing that the significant customer savings relating to the TransCanada Purchase and Sale Agreement be returned to customers through the Variable Component of the Company's Transition Charge. In support of the Petition, the Company has enclosed the following:

Exhibit NSTAR-GOL

Prefiled testimony of Geoffrey O. Lubbock
(with accompanying exhibits), Vice
President, Financial Strategic Planning &
Policy, regarding the TransCanada Purchase

and Sale Agreement and related customer savings (the “Lubbock Testimony”); and

Exhibit NSTAR-RBH

Prefiled testimony of Robert B. Hevert (with accompanying exhibits), President of Concentric Energy Advisors, Inc. (“CEA”), to discuss the specifics of the auction which resulted in the execution of the TransCanada Purchase and Sale Agreement (the “Hevert Testimony”).

The TransCanada Purchase and Sale Agreement set forth herein culminates an almost year-long process undertaken by NSTAR Electric to lower rates for customers by mitigating transition costs of above-market PPAs via an open and competitive auction process (the “2003 Auction”). As described in Mr. Hevert’s testimony, the 2003 Auction provided market participants open and non-discriminatory access to all relevant information and was a competitive process that has resulted in the maximum possible mitigation of transition costs.

Also enclosed is a Motion for Protective Treatment of certain price forecasts and financial information that are included in the Company’s analysis of customer savings associated with the TransCanada Purchase and Sale Agreement. Because negotiations have not been concluded regarding all outstanding PPAs, this information is deemed proprietary and confidential, since the public release of this information could adversely affect NSTAR Electric’s ability to maximize mitigation. The exhibits accompanying this public version of the filing are redacted to remove the confidential information. Unredacted versions are being provided separately, under seal.

The Purchase and Sale Agreement anticipates a Closing Date no later than December 31, 2004. Accordingly, in order for customers to realize the benefits of the TransCanada Purchase and Sale Agreement at the earliest possible date, the Company requests that the Department issue an order approving the TransCanada Purchase and Sale Agreement by November 22, 2004, which would allow for the tolling of the statutory appeal period plus fifteen business days (as provided in Section 3.2 of the Purchase and Sale Agreement) between the issuance of the Department’s order and December 31, 2004.

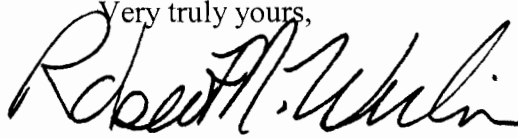
Letter to Secretary Cottrell

July 16, 2004

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Also enclosed is the \$100 filing fee. Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert N. Werlin". The signature is fluid and cursive, with the first name "Robert" being more prominent and the last name "Werlin" following in a similar style.

Robert N. Werlin

Enclosures

cc: Andrew O. Kaplan, General Counsel
Joan Foster Evans, Hearing Officer
Ronald LeComte, Director, Electric Power Division
Kevin Brannelly, Director, Rates and Revenue Requirements Division
Joseph Rogers, Assistant Attorney General
Kerry Britland
Tam Ly

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Petition of Boston Edison Company
for Approvals Relating to the Assignment of
Purchase Power Agreements with
Ocean State Power and Ocean State Power II

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D.T.E. 04-68

**PETITION FOR APPROVALS RELATING TO ASSIGNMENT OF PURCHASE
POWER AGREEMENTS**

1. Boston Edison Company d/b/a NSTAR Electric ("Boston Edison" or the "Company") hereby petitions the Department of Telecommunications and Energy (the "Department"), pursuant to G.L. c. 164, §§ 1A, 1G, 76, 94, and 94A, for approval of: (1) the Purchase and Sale Agreement between Boston Edison and TransCanada Energy Ltd. ("TransCanada") that would assign Boston Edison's current purchase power contracts with Ocean State Power ("OSP 1") and Ocean State Power II ("OSP 2") (collectively, "OSP"), which are Rhode Island partnerships; and (b) approval of ratemaking treatment relating to the TransCanada Purchase and Sale Agreement.
2. Boston Edison is a Massachusetts corporation authorized to generate, transmit, purchase, sell, and distribute electricity, and is subject to the regulatory jurisdiction of the Department. Boston Edison provides retail electric service to approximately 650,000 customers in 40 communities, including Boston and communities in the Greater Boston area.

3. Boston Edison is a party to Power Purchase Agreements with Ocean State Power (“OSP 1 PPA”) and Ocean State Power II (“OSP 2 PPA”), respectively (the collectively, the “Existing OSP PPAs”). The OSP 1 PPA was executed December 31, 1985, and includes 11 subsequent amendments, pursuant to which OSP sells to Boston Edison, and Boston Edison purchases from OSP 1, electricity produced by OSP 1’s generation facility located in Burrillville, Rhode Island (the “OSP 1 Unit”). The term of the OSP 1 PPA runs through December 31, 2010.
4. The OSP 2 PPA was executed July 1, 1988, and includes four subsequent amendments, pursuant to which OSP 2 sells to Boston Edison, and Boston Edison purchases from OSP 2, electricity produced by OSP 2’s generation facility located in Burrillville, Rhode Island (the “OSP 2 Unit”). The term of the OSP 2 PPA runs through September 30, 2011.
6. As a result of an auction by Boston Edison, Commonwealth and Cambridge Electric Light Company d/b/a NSTAR Electric (“NSTAR Electric”) of their PPA entitlements, including the OSP 1 PPA and OSP 2 PPA, the Existing OSP PPAs will be bought out pursuant to the terms of the Purchase and Sale Agreement. The TransCanada Purchase and Sale Agreement (Attachment A, hereto) was executed on June 23, 2004. The remaining agreements effecting the termination (Exhibits B and C, attached to the Purchase and Sale Agreement) will be executed at the closing of the transaction.
7. In support of this Petition, the Petitioners attach the following exhibits:

Exhibit NSTAR-GOL	Prefiled testimony of Geoffrey O. Lubbock (with accompanying exhibits), Vice President, Financial Strategic Planning &
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Policy, regarding the TransCanada Purchase and Sale Agreement and related customer savings (the “Lubbock Testimony”).

Exhibit NSTAR-RBH

Prefiled testimony of Robert B. Hevert (with accompanying exhibits), President of Concentric Energy Advisors, Inc. (“CEA”), to discuss the specifics of the 2004 Auction that resulted in the execution of the TransCanada Purchase and Sale Agreement (the “Hevert Testimony”).

8. Approval of the TransCanada Purchase and Sale Agreement and associated ratemaking treatment is requested pursuant to G.L. c. 164, §§ 1A, 1G, 76, 94, and 94A as being in the public interest and the product of all reasonable steps taken to mitigate, to the maximum extent possible, the transition costs relating to the Existing PPAs. The transaction meets this requirement in that the 2003 Auction and the Purchase and Sale Agreement are consistent with the Chapter 164 of the Acts of 1997 (the “Act”), and Boston Edison’s Restructuring Settlement, approved by the Department in D.P.U./D.T.E. 96-23 (the “Restructuring Settlement”).
9. The Existing OSP PPAs were offered for sale in a public auction. The auction was conducted in an open and competitive manner and was otherwise equitable and maximized the value of the assets that were subject to the auction, pursuant to G.L. c. 164, § 1A(b)(1).
10. The Petitioners selected CEA, a nationally prominent economic advisory firm, to help conduct the 2003 Auction.
11. In conducting the auction, NSTAR Electric and CEA used a fair, unbiased, confidential and competitive process, whereby bidders had the ability and

opportunity to maximize the value of their respective bids through complete, uninhibited and non-discriminatory access to all data. The auction process is described in detail in the Hevert Testimony.

12. Pursuant to the Purchase and Sale Agreement, the Existing OSP PPAs would be permanently assigned, conveyed, transferred and delivered to TransCanada upon the Closing Date, and the Company would be relieved of any obligations or liabilities to purchase or accept electricity produced by the OSP 1 or OSP 2 Units, with the exception of obligations and liabilities arising prior to the Closing Date. In consideration for the transfer, Boston Edison will pay to TransCanada one dollar, as well as certain monthly payments through September 2011 (the "Entitlement Payments"), pursuant to an Entitlement Payment Agreement ("EPA") (Exhibit C of the Purchase and Sale Agreement). Details regarding the Purchase and Sale Agreement, the EPA and related agreements are presented in Mr. Hevert's testimony.
13. Compared to the Existing OSP PPAs, the TransCanada Purchase and Sale Agreement will result in approximately \$12 million of customer savings, on a net-present-value ("NPV") basis. The customer savings are quantified in Exhibits NSTAR-BEC-GOL-2, presented by Mr. Lubbock. The savings are determined by comparing: (a) the NPV of Transition-Cost payments by customers that would have been made if the Existing OSP PPAs were to remain in effect to (b) the NPV of Transition-Cost payments by customers that will be made if the TransCanada Purchase and Sale Agreement is approved by the Department.

14. These significant savings will be passed on to the Company's customers through Boston Edison's Transition Charge. Costs associated with the Existing OSP PPAs have been approved for recovery through the Variable Portion of Boston Edison's Transition Charge. The Petitioners propose to recover costs relating to the TransCanada Purchase and Sale Agreement through the Variable Component of Boston Edison's Transition Charge. The application of the savings relating to the TransCanada Purchase and Sale Agreement is presented in Mr. Lubbock's testimony.
15. G.L. c. 164, §§ 1A and 1G require electric companies to seek to mitigate transition costs, including, as one mitigation method, the buyout of above-market power-purchase contracts. G.L. c. 164, § 1G(d)(1) and (2).
16. In reviewing power contract buyouts, buydowns and renegotiations, the Department generally considers the consistency of the proposed transactions with a company's Department-approved restructuring plan or settlement and the Restructuring Act in that the "sale process is equitable and maximizes the value of the existing generation facilities being sold." G.L. c. 164, s. 1A(b)(1).
17. Consistent with the Act, Boston Edison's Restructuring Settlement, approved by the Department in Boston Edison Company, D.P.U./D.T.E. 96-23, requires Boston Edison to mitigate its transition costs by "endeavor[ing] to sell, assign or otherwise dispose of its purchased power contracts on terms that will assign ongoing contract payments to a nonaffiliated third party" (Settlement Agreement at §V.C.3.(a)). The Department found that the Settlement Agreement's provisions regarding mitigation were consistent with or substantially complied with the Act.

18. The TransCanada Purchase and Sale Agreement should be approved by the Department because, consistent with the Act's requirements regarding the renegotiation of PPAs, the TransCanada Purchase and Sale Agreement is: (1) likely to achieve savings to customers; and (2) is otherwise in the public interest. Given the estimated savings of approximately \$12 million on an NPV basis relating to the TransCanada Purchase and Sale Agreement and the fact that the savings will be passed on to customers, customers would realize an extraordinary level of savings. Moreover, renegotiating PPAs is consistent with the Act and the Company's Restructuring Settlement and therefore, approval of the TransCanada Purchase and Sale Agreement is in the public interest. Accordingly, the TransCanada Purchase and Sale Agreement is reasonable and consistent with the Department's standard of review for buyout or buydown agreements. Therefore, the Department should review and approve the TransCanada Purchase and Sale Agreement expeditiously so that the customers of Boston Edison may realize the significant amount of savings relating to such agreement.

WHEREFORE, Boston Edison respectfully requests the Department to approve the TransCanada Purchase and Sale Agreement, and the Petitioners request that the Department make the following findings:

- A. The 2003 Auction was conducted consistent with Boston Edison's Restructuring Settlement in that the auction was equitable and maximized the value of the assets that were subject to the auction, pursuant to G.L. c. 164, § 1A(b)(1).
- B. The TransCanada Purchase and Sale Agreement is consistent with the Act and maximize the mitigation of Boston Edison's transition costs.

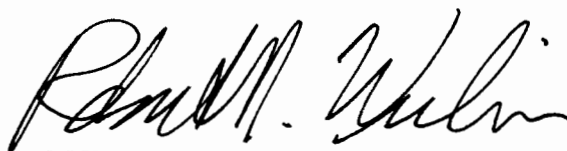
- C. The TransCanada Purchase and Sale Agreement is reasonable, is in the public interest and is consistent with the requirements of G.L. c. 164, § 1G(d)(2)(ii).
- D. The proposed ratemaking treatment for the above-market portion of the TransCanada Purchase and Sale Agreement is consistent with the Restructuring Settlement, the Act, G.L. c. 164, § 1G(b)(1) and G.L. c. 164, §§76, 94 and 94A.
- E. The Company also respectfully requests that the Department grant any other approvals and make any other findings that may be necessary or appropriate to approve the TransCanada Purchase and Sale Agreement as described herein.

The Company respectfully requests a decision from the Department on an expedited basis.

Respectfully submitted,

BOSTON EDISON COMPANY

By Its Attorneys,

A handwritten signature in black ink, appearing to read "Robert N. Werlin", is written over a horizontal line.

Robert N. Werlin, Esq.
John K. Habib, Esq.
Keegan, Werlin & Pabian, LLP
265 Franklin Street
Boston, Massachusetts 02110
(617) 951-1400 (telephone)
(617) 951-1354 (facsimile)

Dated: July 16, 2004

APPENDIX A

PURCHASE AND SALE AGREEMENT

Between

BOSTON EDISON COMPANY

and

TRANSCANADA ENERGY LTD.

June 23, 2004

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PURCHASE AND SALE AGREEMENT

Purchase and Sale Agreement made on this 23rd day of June, 2004 by and between TransCanada Energy Ltd., a Canadian corporation (the "Buyer") and Boston Edison Company, a Massachusetts corporation (the "Seller"), each individually a "Party" and collectively the "Parties".

WITNESSETH:

WHEREAS, the Seller is party to certain power contracts described in Exhibit A to this Agreement (the "OSP Contracts"); and

WHEREAS, pursuant to a solicitation process commenced in October, 2003, the Seller solicited competitive bids for certain power supply contracts; and

WHEREAS, the Seller and the Buyer desire to enter into this Agreement to establish the terms of the purchase and sale of the OSP Contracts;

NOW, THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller and the Buyer agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith, all capitalized terms shall have the meanings ascribed thereto as follows:

- (a) **"Affiliate"** has the meaning ascribed to that term by the Securities Exchange Act of 1934;
- (b) **"Agreement"** means this agreement and all amendments made hereto in accordance with the provisions hereof;
- (c) **"Assignment and Assumption Agreement"** means the Assignment and Assumption Agreement attached as Exhibit B between the Buyer and the Seller;
- (d) **"Business Day"** means any day other than a Saturday, Sunday or holiday which is recognized in The Commonwealth of Massachusetts;
- (e) **"Claims"** shall mean any and all losses, damages, costs, expenses, injuries of any kind or character, claims, actions, causes of action, demands, fees (including, without limitation, all legal and other professional fees and disbursements, court costs and experts' fees), levies, taxes, judgments, fines, charges, deficiencies, interest, penalties and amounts paid in settlement, whether arising in equity, at common law, by statute, or under the law of contract, tort (including, without limitation, negligence and strict liability without regard to fault) or property law, of every kind or character;

- (f) **"Closing"** has the meaning ascribed to that term in Section 3.2;
- (g) **"Closing Conditions"** has the meaning ascribed to that term in Section 3.2;
- (h) **"Closing Date"** has the meaning ascribed to that term in Section 3.2;
- (i) **"Consent and Release Agreements"** means the Consent and Release Agreements attached as Exhibits E and F;
- (j) **"Encumbrances"** means any mortgages, pledges, liens, security interests, assessments, encumbrances and charges of any kind;
- (k) **"Entitlement Payment Agreement"** means the Entitlement Payment Agreement between Buyer and Seller attached as Exhibit C;
- (l) **"FERC"** means the Federal Energy Regulatory Commission;
- (m) **"Form W-8BEN"** means Form W-8BEN attached as Exhibit G or any successor form thereto;
- (n) **"Interim Period"** has the meaning ascribed to that term in Exhibit D;
- (o) **"Interim Period Refund"** has the meaning ascribed to that term in Exhibit D;
- (p) **"MDTE"** means the Massachusetts Department of Telecommunications and Energy;
- (q) **"OSP"** means Ocean State Power, a Rhode Island partnership and party to one of the OSP Contracts;
- (r) **"OSP II"** means Ocean State Power II, a Rhode Island partnership and party to one of the OSP Contracts;
- (s) **"OSP Contracts"** has the meaning ascribed to that term in the Recital;
- (t) **"Purchased Assets"** means all right, title and interests of the Seller in and to and all liabilities and obligations of the Seller under the OSP Contracts;
- (u) **"Purchase Price"** has the meaning ascribed to that term in Section 3.1;
- (v) **"Taxes"** means all taxes, charges, fees, levies, penalties or other assessments imposed by any United States federal, state or local or foreign taxing authority, including, but not limited to, income, excise, property, sales, transfer, franchise, payroll, withholding, social security or other taxes, including any interest, penalties, or additions attributable thereto.

ARTICLE 2 - PURCHASE AND SALE

2.1 The Sale

Upon the terms and subject to the satisfaction of the conditions set forth herein and effective as of the Closing Date, the Seller will permanently assign, convey, transfer and deliver to the Buyer and the Buyer will purchase and acquire from the Seller, free and clear of all Encumbrances, all of the Seller's right, title and interest in the Purchased Assets. Subject to the provisions of Section 7.2, the Parties acknowledge and agree that, from and after the Closing Date, the Seller shall have no further obligations or liabilities under the OSP Contracts except for such obligations and liabilities arising prior to the Closing Date.

ARTICLE 3 - PURCHASE PRICE AND CLOSING

3.1 Purchase Price

The purchase price to be paid for the Purchased Assets shall be one dollar (the "Purchase Price"), the receipt of which is hereby acknowledged.

3.2 Closing

Upon the terms and subject to the satisfaction of the conditions contained in Article 4 (the "Closing Conditions"), the closing of the sale of the Purchased Assets contemplated by this Agreement (the "Closing") will take place at Seller's offices in Boston, Massachusetts at 10:00 a.m. (local time) on such date as the Parties may agree, which date is as soon as practicable but no later than fifteen (15) Business Days following the date on which all of the Closing Conditions have been satisfied or waived; or at such other place or time as the Parties may agree. The date and time at which the Closing actually occurs is herein after referred to as the "Closing Date".

3.3 Deliveries by the Seller

At the Closing, the Seller shall deliver or cause to be delivered to the Buyer the following:

- (a) the Assignment and Assumption Agreement, duly executed by the Seller;
- (b) the Entitlement Payment Agreement, duly executed by the Seller;
- (c) the Officer's certificate referred to in Section 4.3(a); and
- (d) the Consent and Release Agreements, duly executed by Seller and OSP or OSP II, as the case may be.

3.4 Deliveries by the Buyer

At the Closing, the Buyer shall deliver or cause to be delivered to the Seller the following:

- (a) the Assignment and Assumption Agreement, duly executed by the Buyer;
- (b) the Entitlement Payment Agreement, duly executed by the Buyer;
- (c) the Officer's certificate referred to in Section 4.2(a); and
- (d) a completed Form W-8BEN.

ARTICLE 4 - CONDITIONS TO SALE

4.1 Conditions to Obligations of both Parties

The obligations of the Buyer and the Seller under this Agreement are subject to the fulfillment and satisfaction, on or prior to the Closing Date, of each of the following obligations, any one or more of which may be waived, in whole or in part, only in writing by both the Buyer and the Seller:

- (a) No Restraining Proceedings. No preliminary or permanent injunction or other order or decree by any court of competent jurisdiction or any governmental entity which prevents the consummation of the sale of the Purchased Assets contemplated hereby shall have been issued and remain in effect (each Party agreeing to use its reasonable best efforts to have any such injunction, order or decree lifted) and no statutes, rule or regulation shall be enacted by any state or federal government or governmental agency in the United States which prohibits the consummation of the sale of the Purchased Assets.
- (b) Governmental Approvals. All the approvals and authorizations required for the effectiveness of this Agreement and for the performance by the Seller and the Buyer of their respective obligations under this Agreement, shall have been received in a form reasonably acceptable to the Buyer and the Seller, specifically including final approvals of the MDTE and the FERC, and are no longer subject to reconsideration or appeal.
- (c) NEPOOL/ ISO. Any and all necessary filings or notices shall have been given or made with the New England Power Pool and/or the New England Independent System Operator and any and all approvals or authorizations concerning the transaction contemplated by this Agreement shall have been received in a form reasonably acceptable to each Party.

4.2 Conditions to Obligation of the Seller

The obligations of the Seller under this Agreement are subject to the fulfillment and satisfaction, on or prior to the Closing Date, of each of the following conditions, any one or more of which may be waived, in whole or in part, only in writing by the Seller:

- (a) Representations, Warranties and Covenants True at the Closing Date. (i) All representations and warranties of Buyer contained in Sections 5.1 and 5.2 of this Agreement shall be true and correct in all material respects as of the date when made and at and as of the Closing Date as though such representations and warranties had been made or given on such date (except to the extent such representations and warranties specifically pertain to an earlier date), except (x) for changes contemplated by this Agreement and (y) where the failure to be true and correct will not have a material adverse effect on the business, property, financial condition, results of operations or prospects of Seller, or on the Seller's rights under this Agreement; (ii) Buyer shall have performed and complied with, in all material respects, its

obligations that are to be performed by or complied with prior to or on the Closing Date; and (iii) Buyer shall have delivered a certificate signed by one of its duly authorized officers certifying as to the fulfillment of the conditions set forth in the foregoing clauses (i) and (ii).

- (b) Consents/ Releases. All consents, approvals and releases for the transactions contemplated hereby under the terms of the OSP Contracts or any other related agreement have been obtained in a form satisfactory to the Seller, including without limitation the Consent and Release documents executed by OSP and OSP II which are attached as Exhibits E and F.

4.3 Conditions to Obligation of Buyer

The obligations of Buyer under this Agreement are subject to the fulfillment and satisfaction, on or prior to the Closing Date, of each of the following conditions, any one or more of which may only be waived in writing, in whole or in part, by Buyer:

- (a) Representations, Warranties and Covenants True at the Closing Date. (i) All representations and warranties of the Seller contained in Sections 5.3 (a), (c) and (e) of this Agreement shall be true and correct in all respects and all other representations of the Seller contained in Sections 5.1 and Section 5.3 (b) and (d) of this Agreement shall be true and correct in all material respects, when made and at and as of the Closing Date as though such representations and warranties had been made or given on such date (except to the extent such representations and warranties specifically pertain to an earlier date), except (x) for changes contemplated by this Agreement and (y) where the failure to be true and correct will not have a material adverse effect on the OSP Contracts or the Buyer's rights under this Agreement; (ii) the Seller shall have performed and complied with, in all material respects, its obligations that are to be performed or complied with by it prior to or on the Closing Date; and (iii) the Seller shall deliver a certificate signed by one of its duly authorized officers certifying as to the fulfillment of the conditions set forth in the foregoing clauses (i) and (ii).
- (b) Encumbrances. There shall be no Encumbrances on the Purchased Assets.

4.4 Obligation with Respect To Conditions

The Seller and the Buyer shall each use reasonable efforts to obtain all of the foregoing approvals and authorizations and to otherwise satisfy the foregoing conditions. Each Party agrees to promptly advise the other of the fulfillment or waiver of any condition and any material events associated with such conditions, and further each Party agrees to promptly notify the other in the event that such Party determines that any required consent or government approval or authorization is not acceptable to such Party.

ARTICLE 5 - REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Both Parties

Each Party hereby represents and warrants to the other that:

- (a) It is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and is duly qualified to do business in all jurisdictions where such qualification is required.
- (b) It has full power and authority to enter this Agreement and perform its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action and do not and will not contravene its organizational documents or conflict with, result in a breach of, or entitle any party (with due notice or lapse of time or both) to terminate, accelerate or declare a default under, any agreement or instrument to which it is a party or by which it is bound. The execution, delivery and performance by it of this Agreement will not result in any violation by it of any law, rule or regulation applicable to it. It is not a party to, nor subject to or bound by, any judgment, injunction or decree of any court or other governmental entity, which may restrict or interfere with the performance of this Agreement by it. This Agreement has been duly and validly executed and delivered on its behalf and is its valid and binding obligation and is enforceable against it in accordance with its terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting or relating to the enforcement of creditor's rights generally or general principles of equity.
- (c) Except for the approvals of the FERC and MDTE, no consent, waiver, order, approval, authorization or order of, or registration, qualification or filing with, any court or other governmental agency or authority is required for the execution, delivery and performance by such Party of this Agreement and the consummation by such Party of the transactions contemplated hereby. No agreement, consent or waiver of any party to any contract to which such Party is a party or by which it is bound is required for the execution, delivery and performance by such Party of this Agreement which has not been duly obtained.
- (d) Except for any fees payable by the Seller to Concentric Energy Advisors, Inc., no broker, finder or other person is entitled to any fees or commissions in connection with this Agreement or the transaction contemplated herein.

5.2 Additional Representations and Warranties of Buyer

The Buyer hereby represents and warrants with the Seller that the Buyer has (i) been represented by counsel, (ii) had the opportunity to make a complete and thorough review of the OSP Contracts and all related documents, sufficient for it to understand the benefits and risks of the transactions contemplated by this Agreement, and (iii) that the Buyer is not relying on any representations or warranties by the Seller or any person actually or purportedly acting on the Seller's

behalf with respect to any matter affecting or arising out of or in connection with the OSP Contracts, except as otherwise expressly set forth in this Agreement.

5.3 Additional Representations and Warranties of Seller

Seller hereby represents and warrants with the Buyer that:

- (a) The Seller has good and valid title to the Purchased Assets, free and clear of all Encumbrances.
- (b) The OSP Contracts (i) constitute valid and binding obligations of the Seller and to the best knowledge of the Seller constitute valid and binding obligations of OSP and OSP II, (ii) are in full force and effect, and (iii) upon receipt of the Consent and Release Agreements, do not prohibit the transfer of the OSP Contracts hereunder and will continue in full force and effect thereafter, in each case without breaching the terms thereof or resulting in the forfeiture or impairment of any rights thereunder.
- (c) There is not, under the OSP Contracts, any default or event which, with notice or lapse of time or both, would constitute a default on the part of Seller or, to the knowledge of Seller, OSP or OSP II.
- (d) There are no actions or proceedings pending or to the knowledge of the Seller, threatened, against the Seller or its Affiliates relating to the Purchased Assets or any such actions or proceedings, the subject matter of which is the Purchased Assets, except to the extent that such actions or proceedings would be subject to an indemnity obligation of the Seller pursuant to Section 7.2.
- (e) No person has any agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment, including convertible securities, warrants or convertible obligations of any nature, for the purchase from the Seller of any interest in the Purchased Assets.

5.4 Survival of Representations and Warranties

- (a) The representations and warranties made by the Seller herein or contained in any schedule or exhibit attached hereto or other document or certificate given in order to carry out the transaction contemplated herein shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Buyer or any other person or any knowledge of the Buyer or any other person, shall continue in full force and effect for the benefit of the Buyer.
- (b) The representations and warranties made by the Buyer herein or contained in any schedule or exhibit attached hereto or other document or certificate given in order to carry out the transaction contemplated herein shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Seller

or any other person or any knowledge of the Seller or any other person, shall continue in full force and effect for the benefit of the Seller.

ARTICLE 6 - COVENANTS

6.1 Seller's Covenants with Respect to the OSP Contracts

- (a) During the period from the date of this Agreement to the Closing Date and subject to the activities contemplated in Exhibit D hereto, the Seller will conduct its business with respect to the Purchased Assets according to its ordinary and usual course of business consistent with past practice and will not amend (or waive any rights under) the OSP Contracts without the Buyer's prior written consent or take any action or fail to take any action that would result in a material breach of the Seller's obligations under the OSP Contracts.
- (b) The Seller shall use reasonable efforts to promptly provide the Buyer with documents and information regarding operation, dispatch, scheduling and other matters relevant to the OSP Contracts prior to the Closing Date and which are available to the Seller. To the extent that the Seller receives any notices issued prior to the Closing Date pursuant to the terms of the OSP Contracts, the Seller agrees promptly to forward such notices to the Buyer within five (5) Business Days from the Seller's receipt thereof.
- (c) The Seller shall make timely payments of all amounts due for periods prior to the Closing Date under the OSP Contracts.
- (d) The Seller shall keep the OSP Contracts in good standing and shall not take any action or fail to take any action that would result in a breach of the Seller's obligations under the OSP Contracts. In the case of a breach by OSP or OSP II under the OSP Contracts prior to the Closing Date, the Seller shall cooperate with the Buyer to enforce the provisions of the OSP Contracts.
- (e) The Seller shall keep the Purchased Assets free and clear of any and all Encumbrances except such Encumbrances imposed on account of Buyer or Buyer's affiliates.
- (f) During the Interim Period, the Seller shall perform its obligations set out in Exhibit D.
- (g) From and after the Closing Date, the Seller shall pay to the Buyer the amounts due pursuant to and in accordance with the Entitlement Payment Agreement.

6.2 Buyer's Covenants

- (a) The Buyer hereby assumes and agrees to pay, perform or discharge in accordance with their terms, from and after the Closing Date, to the extent not heretofore paid,

performed or discharged, all liabilities and obligations of the Seller under the OSP Contracts, except for any obligations or liabilities arising prior to the Closing Date.

- (b) During the Interim Period, the Buyer shall perform all obligations assumed by it pursuant to the temporary entitlement transfer referred to in Exhibit D.
- (c) The Buyer shall use reasonable efforts to promptly provide the Seller with documents and information regarding operation, dispatch, scheduling and other matters relevant to the OSP Contracts prior to the Closing Date and which are available to the Buyer.

6.3 Consents and Approvals

The Seller and the Buyer shall cooperate with each other and (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, (iii) use all commercially reasonable efforts to obtain all necessary consents, approvals and authorization of all other parties, necessary or advisable to consummate the transaction contemplated by this Agreement.

6.4 Taxes

All payments made under this Agreement shall be made without withholding or deduction for Taxes, provided that the Buyer has provided to the Seller at Closing and thereafter as reasonably requested by the Seller a Form W-8BEN.

ARTICLE 7 - INDEMNIFICATION

7.1 Indemnification by Buyer

The Buyer shall indemnify, defend and hold harmless the Seller and the Seller's officers, directors, agents, employees and Affiliates from and against any and all Claims relating to or arising out of:

- (a) Any material failure of the Buyer to observe or perform any term or provision of this Agreement or the Entitlement Payment Agreement which is the Buyer's obligation to observe or perform;
- (b) All liabilities and obligations arising under or relating to the OSP Contracts from and after the Closing Date; or
- (c) Any failure of any representation or warranty made by the Buyer herein to be true in any material respect.

7.2 Indemnification by the Seller

The Seller shall indemnify, defend and hold harmless the Buyer, its officers, directors, agents, employees and Affiliates from and against any and all Claims relating to or arising out of:

- (a) Any material failure of the Seller to observe or perform any term or provision of this Agreement, the Entitlement Payment Agreement or the OSP Contracts which is the Seller's obligation to observe or perform;
- (b) All liabilities and obligations arising under or relating to the OSP Contracts, prior to the Closing Date;
- (c) Any failure of any representation or warranty made by the Seller in Sections 5.1, 5.3 (b) and 5.3 (d) to be true in any material respect; or
- (d) Any failure of any representation or warranty made by the Seller in Sections 5.3 (a), (c) and (e) to be true in any respect.

7.3 Indemnification Procedures

If any Party intends to seek indemnification under this Article 7 from the other Party with respect to any Claim, the Party seeking indemnification shall give the other Party notice of such Claim within fifteen (15) days of the commencement of, or actual knowledge of, such Claim. The omission of any Party seeking indemnification under this Article 7 to so notify the other Party of any such Claim within the time period set forth above shall not relieve such other Party from any liability which they may have to the Party seeking indemnification under this Article 7 unless, and only to the extent that, such omission results in the forfeiture of substantive rights or defenses of such other Party. With respect to any third party claim, the Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such Claim. The Party providing indemnification shall not compromise or settle any such Claim unless such settlement or compromise includes an unconditional release of the Party seeking indemnification from all liability arising or that may arise from such Claim and imposes no material obligations upon the Party seeking indemnification. Each Party agrees that it will not, without the prior consent of the other Party, settle, compromise or consent to the entry of any judgment in any pending or threatened Claim, which consent shall not be unreasonably withheld.

ARTICLE 8 - TERMINATION

8.1 Grounds for Termination Prior to Closing

This Agreement may be terminated at any time prior to Closing;

- (a) by the mutual written agreement of the Parties;
- (b) by the Seller or the Buyer if Closing shall not have been completed on or before December 31, 2004, or such other date, if any, as the Buyer and the Seller shall have agreed to in writing; or
- (c) by one Party if the other Party has materially breached its obligations hereunder and such breach has not been cured within thirty (30) days of written notification thereof.

8.2 Effect of Termination.

If this Agreement is terminated by the Buyer or the Seller as permitted under Section 8.1(a) or (b):

- (a) the Buyer shall pay to the Seller the Interim Period Refund in accordance with Exhibit D.
- (b) except as provided for in Section 8.2 (a), and with respect to any Party then in breach, such termination shall be without liability of either Party to the other Party, or to any of its or their shareholders, directors, officers, employees, agents, consultants or representatives.

ARTICLE 9 - GENERAL PROVISIONS

9.1 Expenses

Subject to the provisions of Section 8.2(b), each Party is responsible for its own legal fees and other charges incurred in connection with the preparation of this Agreement, all negotiations between the Parties, and the consummation of the transactions contemplated hereby.

9.2 Further Assurances

Each of the Parties hereto shall from time to time execute and deliver all such further documents and instruments and do all acts and things as any other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

9.3 Entire Agreement

Except as specifically provided in this Agreement, this Agreement constitutes the entire agreement between the Parties in respect of the subject matter hereof and cancel and supersede any prior agreements, undertakings, declarations, commitments, representations, written or oral, in respect thereof.

9.4 Notices

Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by telecopy or other electronic means of communication addressed to the respective Party as follows:

To the Seller:
One NSTAR Way
Westwood, MA 02090

Attention: Ellen K. Angley, Vice President, Energy Supply and Transmission
Fax No.: (781) 441-8078

To the Buyer:
450 – 1st Street SW
Calgary, Alberta
T2P 5H1

Attention: Director, Business Development
Fax No.: (403) 920-2421

or to such other address or telecopy number as any Party may from time to time notify the other in accordance with this Section 9.4. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by electronic means of communication, on the first Business Day following the transmittal thereof.

9.5 Announcements

No announcement with respect to this Agreement or the transaction contemplated herein shall be made by either Party without the prior written approval of the other Party. The foregoing shall not apply to any announcement by a Party required in order to comply with laws or stock exchange regulations pertaining to timely disclosure, provided that such Party consults with the other Party before making any such announcement.

9.6 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

9.7 Time

Time shall be of the essence. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day) then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

9.8 Assignment

Neither of the Parties hereto shall assign its rights or obligations hereunder without the prior written consent of the other Party.

9.9 Counterparts

This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such executed counterpart.

9.10 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the Parties agree to negotiate in good faith in order to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

9.11 Amendments and Waivers

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the Parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

9.12 Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Exhibits, Articles and Sections shall refer to Exhibits, Articles and Sections of this Agreement.

9.13 Interpretation

In this Agreement words importing the singular number only shall include the plural and *vice versa*, and words importing gender shall include all genders and words importing persons shall include individuals, sole proprietorships, partnerships, associations, trusts, joint ventures, unincorporated organizations and corporations and natural persons in their capacities as trustees, executors, administrators or other legal representatives.

9.14 Statutory References

Any reference to a statute shall include and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and enforced from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

9.15 Funds

All dollar amounts referred to in this Agreement are in US dollars.

9.16 Exhibits

The following are the Exhibits annexed hereto and incorporated by reference and deemed to be part hereof:

Exhibit A	-	OSP Contracts
Exhibit B	-	Assignment and Assumption Agreement
Exhibit C	-	Entitlement Payment Agreement
Exhibit D	-	Interim Period
Exhibit E	-	Consent and Release from OSP
Exhibit F	-	Consent and Release from OSP II
Exhibit G	-	Form W-8BEN

9.17 No Drafting Presumption

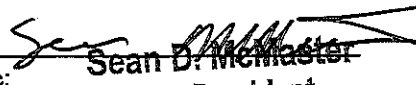
The Parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement and the Parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party shall not be applicable in the interpretation of this Agreement.

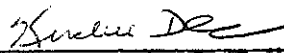
9.18 Governing Law

This Agreement shall be construed and enforced in accordance with the laws of The Commonwealth of Massachusetts without regard to the conflicts of laws provisions in effect therein.

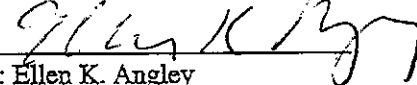
IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the Parties as of the date first above written.

TRANSCANADA ENERGY LTD.

By: 
Name: Sean D. McMaster
Title: Vice President

By: 
Name: Kristine L. Delkus
Title: Vice-President, Law

BOSTON EDISON COMPANY

By: 
Name: Ellen K. Angley
Title: Vice President Energy Supply & Transmission



LEGAL	
CONTENT	

EXHIBIT A

OSP CONTRACTS

I. Unit Power Agreement for the Sale of Unit Capacity and Energy from Ocean State Power to Boston Edison Company dated December 31, 1985, as amended.

II. Unit Power Agreement for the Sale of Unit 2 Capacity and Energy from Ocean State Power II to Boston Edison Company dated July 1, 1988, as amended.

EXHIBIT B

TO PURCHASE AND SALE AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

Assignment and Assumption Agreement (this "Agreement") made, executed and delivered on this ____ day of ____, 2004, by and between TRANSCANADA ENERGY LTD., a Canadian corporation (the "Buyer"), and BOSTON EDISON COMPANY, a Massachusetts corporation (the "Seller").

WITNESSETH:

WHEREAS, pursuant to that certain Purchase and Sale Agreement, dated as of June 23, 2004 (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement"), by and between the Seller and the Buyer, the Seller agreed to sell and the Buyer agreed to buy the Purchased Assets (as defined in the Purchase Agreement); and

WHEREAS, the Purchase Agreement requires that the Seller assign all of its right, title and interest in, and that the Buyer assume all liabilities and obligations of the Seller under, the OSP Contracts (as defined in the Purchase Agreement);

NOW THEREFORE, in good consideration of these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Seller and the Buyer agree as follows:

1. Capitalized terms which are used in this Agreement but are not defined in this Agreement shall have the meaning ascribed to such terms in the Purchase Agreement.
2. As of the Closing Date, the Seller hereby assigns, transfers and sets over to the Buyer all of the Seller's rights, title and interest in and to the OSP Contracts, free and clear of all Encumbrances.
3. As of the Closing Date, the Buyer hereby assumes and agrees to pay, perform or discharge in accordance with their terms, to the extent not heretofore paid, performed or discharged, all liabilities and obligations of the Seller under the OSP Contracts except for such liabilities and obligations arising prior to the Closing Date.
4. It is understood and agreed that nothing in this Agreement shall constitute a waiver or release of any claims arising out the contractual relationships between the Seller and the Buyer.
5. This Agreement shall inure to the benefit and be enforceable against the respective successors and assigns of the Seller and the Buyer.

6. This Agreement shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable Massachusetts principles of conflicts of laws).

7. This Agreement is delivered pursuant to and is subject to the Purchase Agreement. In the event of any conflict between the terms of the Purchase Agreement and the terms of this Agreement, the terms of the Purchase Agreement shall prevail.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the respective duly authorized officers of the Seller and the Buyer as of the date first above written.

TRANSCANADA ENERGY LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

BOSTON EDISON COMPANY

By: _____
Name:
Title:

EXHIBIT C

ENTITLEMENT PAYMENT AGREEMENT

ENTITLEMENT PAYMENT AGREEMENT

Between

BOSTON EDISON COMPANY

and

TRANSCANADA ENERGY LTD.

_____, 2004

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ENTITLEMENT PAYMENT AGREEMENT

Entitlement Payment Agreement made on this ____ day of ____, 2004 by and between TransCanada Energy Ltd., a Canadian corporation ("TCE") and Boston Edison Company, a Massachusetts corporation ("Boston Edison"), each individually a "Party" and collectively the "Parties".

WHEREAS, pursuant to that certain Purchase and Sale Agreement dated as of June 23, 2004 and the exhibits thereto (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement") by and between TCE and Boston Edison, Boston Edison agreed to sell and assign and TCE agreed to buy and assume the OSP Contracts; and

WHEREAS, the Purchase Agreement requires that Boston Edison make certain payments to TCE and, for that purpose, Boston Edison and TCE have agreed to execute and deliver this Entitlement Payment Agreement;

NOW THEREFORE, in good consideration of the execution of the Purchase Agreement, these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Boston Edison and TransCanada agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith, all capitalized terms shall have the meanings ascribed thereto as follows:

- (a) "Agreement" means this agreement and all amendments made hereto in accordance with the provisions hereof;
- (b) "Business Day" means any day other than a Saturday, Sunday or holiday which is recognized in The Commonwealth of Massachusetts;
- (c) "Closing Date" means the date of this Agreement set out above;
- (d) "Form W-8BEN" means Form W-8BEN attached as Exhibit C or any successor form thereto;
- (e) "Insolvency Event" means with respect to Boston Edison the occurrence of one or more of the following:
 - (i) a custodian, receiver, liquidator or trustee of it or of any of its property is appointed or takes possession and such appointment or possession remains uncontested or in effect for more than 30 days;
 - (ii) it makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts as they mature;
 - (iii) it is adjudicated bankrupt or insolvent; or an order for relief is entered under the United States Bankruptcy Code against it;

- (iv) a petition is filed against it under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or subsequently in effect, and is not stayed or dismissed within 30 days after filing;
 - (v) it files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or subsequently in effect; or consents to the filing of any petition against it under any such law; or consents to the appointment of or taking possession by a custodian, receiver, trustee or liquidator of it or any of its property;
- (f) **"Moody's"** means Moody's Investors Service, Inc. and its successors;
 - (g) **"OSP"** means Ocean State Power, a Rhode Island partnership and party to one of the OSP Contracts;
 - (h) **"OSP II"** means Ocean State Power II, a Rhode Island partnership and party to one of the OSP Contracts;
 - (i) **"OSP Contracts"** means those contracts listed in Exhibit A;
 - (j) **"Prime Rate"** means the prime rate published in the "Money Rates" section of the Wall Street Journal;
 - (k) **"S&P"** means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors;
 - (l) **"Taxes"** means all taxes, charges, fees, levies, penalties or other assessments imposed by any United States federal, state or local or foreign taxing authority, including, but not limited to, income, excise, property, sales, transfer, franchise, payroll, withholding, social security or other taxes, including any interest, penalties, or additions attributable thereto;
 - (m) **"United States Bankruptcy Code"** means the Federal Bankruptcy Reform Act of 1978 C11 U.S.C. § 101, et seq., as amended and in effect from time to time and the regulations issued from time to time thereunder.

ARTICLE 2 – ENTITLEMENT PAYMENT

2.1 Entitlement Payment

Boston Edison agrees to pay to TCE monthly, on the first Business Day of each month following the Closing Date and otherwise in accordance with Section 2.2 and Exhibit B, the amounts set forth below:

2004: \$3,001,111 per month for the months of April through December
2005: \$1,813,333 per month
2006: \$1,883,333 per month
2007: \$1,813,333 per month
2008: \$1,755,000 per month
2009: \$1,576,667 per month
2010: \$1,156,667 per month
2011: \$577,778 per month for the months of January through September

If the Closing Date occurs other than on the first day of a month, the amount payable by Boston Edison for such month shall be pro rated based on the number of days in such month following and including the Closing Date and shall be payable on the Closing Date.

2.2 True-Up Amounts

The responsible Party shall pay any amounts owing to the other pursuant to Exhibit B. Such payment shall be made to the Party to receive such payment in accordance with the provisions set forth in Exhibit B.

2.3 Payment

All payments required under this Agreement shall be paid by wire transfer of immediately available funds to an account designated by the Party to receive such payment. If all or any part of any amount due and payable hereunder shall not be paid by the owing Party on the date specified herein, interest on the unpaid amount shall accrue from the due date of such payment until the date that payment is received and shall be paid to the other Party at the rate per annum of 2% above the Prime Rate in effect on such due date.

2.4 Financial Assurances

If at any time throughout the term of this Agreement,

- (i) the debt rating on Boston Edison's long term senior unsecured debt (or, if unavailable, its corporate credit rating) falls below BBB by S&P or Baa2 by Moody's;
or
- (ii) the debt rating on the long term senior unsecured debt (or, if unavailable, its corporate credit rating) of any provider of any Performance Assurance falls below BBB by S&P or Baa2 by Moody's,

then TCE shall be entitled to request that Boston Edison provide TCE with Performance Assurance, or replacement Performance Assurance in the case of Section 2.4 (ii), and Boston Edison shall have seven (7) Business Days from the date of such request to provide TCE with the requested Performance Assurance. "Performance Assurance" means sufficient security in the form and for the term reasonably satisfactory to TCE, including, but not limited to, one of the following: a standby irrevocable letter of credit from a financial institution reasonably acceptable to TCE, or a guarantee by an entity deemed to be creditworthy by TCE in its sole discretion. Such Performance Assurance shall be required to be maintained for only that period of time during which the debt ratings specified

in this Section 2.4 are not satisfied.

2.5 Taxes

All payments made under this Agreement shall be made without withholding or deduction for Taxes, provided that the Buyer has provided to the Seller at Closing and thereafter as reasonably requested by the Seller a Form W-8BEN.

ARTICLE 3 - TERM

3.1 Term

The term of this Agreement shall commence on the Closing Date and shall remain in effect until Boston Edison has, after giving effect to the obligations set forth in Section 2.2, fully paid to TCE the amounts set out in Section 2.1.

ARTICLE 4 – DEFAULTS

4.1 Boston Edison Defaults

In the event that:

- (a) Boston Edison defaults in the performance of any of its obligations hereunder, including without limitation its obligations under Article 2 above, and fails to remedy such default within five (5) Business Days of notice thereof from TCE, or
- (b) an Insolvency Event occurs or exists in respect of Boston Edison,

then Boston Edison shall be considered in default hereof and TCE shall be entitled to pursue all legal remedies available to it.

4.2 TCE Defaults

In the event that:

- (a) TCE defaults in the performance of any of its obligations hereunder, including without limitation its obligations under Section 2.2 above, or
- (b) TCE defaults under the Assignment and Assumption Agreement and as a result thereof Boston Edison assumes any obligations or liabilities under the OSP Contracts,

and fails to remedy such default within five (5) Business Days of notice thereof from Boston Edison, then TCE shall be considered in default hereof and Boston Edison shall be entitled to pursue all legal remedies available to it.

ARTICLE 5 - GENERAL PROVISIONS

5.1 Expenses

Each Party is responsible for its own legal fees and other charges incurred in connection with the preparation of this Agreement, all negotiations between the Parties, and the consummation of the transactions contemplated hereby.

5.2 Further Assurances

Each of the Parties hereto shall from time to time execute and deliver all such further documents and instruments and do all acts and things as any other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

5.3 Entire Agreement

Except, as specifically provided in this Agreement, this Agreement and the Purchase Agreement constitute the entire agreement between the Parties in respect of the subject matter hereof and cancel and supersede any prior agreements, undertakings, declarations, commitments, representations, written or oral, in respect thereof.

5.4 Notices

Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by telecopy or other electronic means of communication addressed to the respective Party as follows:

To Boston Edison:
One NSTAR Way
Westwood, MA 02090

Attention: Ellen K. Angley, Vice President, Energy Supply and Transmission
Fax No.: (781) 441-8078

To TCE:
55 Yonge Street, 8th Floor
Toronto, Ontario
M5E 1J4

Attention: Manager, Eastern Commercial Operation
Fax No.: (416) 869-2056

or to such other address or telecopy number as any Party may from time to time notify the other Party in accordance with this Section 4.4. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by electronic means of communication, on the first Business Day following the transmittal thereof.

5.5 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

5.6 Time

Time shall be of the essence. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day) then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

5.7 Assignment

Boston Edison shall not assign its rights or obligations hereunder without the prior written consent of TCE, such consent not to be unreasonably withheld. TCE may assign its rights and obligations hereunder at any time, provided that any purported assignee shall provide written confirmation to Seller of such party's acknowledgement and agreement that such assignment is subject to the terms and conditions of this Agreement and Seller's rights and defenses hereunder.

5.8 Counterparts

This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such executed counterpart.

5.9 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the Parties agree to negotiate in good faith in order to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

5.10 Amendments and Waivers

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the Parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

5.11 Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Exhibits, Articles and Sections shall refer to Exhibits, Articles and Sections of this Agreement.

5.12 Interpretation

In this Agreement words importing the singular number only shall include the plural and *vice versa*, and words importing gender shall include all genders and words importing persons shall include individuals, sole proprietorships, partnerships, associations, trusts, joint ventures, unincorporated organizations and corporations and natural persons in their capacities as trustees, executors, administrators or other legal representatives.

5.13 Funds

All dollar amounts referred to in this Agreement are in US Dollars.

5.14 Exhibits

The following are the Exhibits annexed hereto and incorporated by reference and deemed to be part hereof:

Exhibit A	-	OSP Contracts
Exhibit B	-	True-Up Amounts
Exhibit C	-	Form W-8BEN

5.15 No Drafting Presumption

The Parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement and the Parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party shall not be applicable in the interpretation of this Agreement.

5.16 Governing Law

This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Massachusetts without regard to the conflicts of laws provisions in effect therein.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the Parties as of the date first above written.

TRANSCANADA ENERGY LTD.

By: _____
Name: _____
Title: _____

By: *Kusliw D* _____
Name: _____
Title: _____

BOSTON EDISON COMPANY

By: _____
Name: Ellen K. Anglely
Title: Vice President Energy Supply &
Transmission

EXHIBIT A

OSP CONTRACTS

I. Unit Power Agreement for the Sale of Unit Capacity and Energy from Ocean State Power to Boston Edison Company dated December 31, 1985, as amended.

II. Unit Power Agreement for the Sale of Unit 2 Capacity and Energy from Ocean State Power II to Boston Edison Company dated July 1, 1988, as amended.

EXHIBIT B

TRUE-UP PERIOD

Entitlement Payment

The Entitlement Payment shall be as specified in Section 2.1 of this Agreement.

Prior Period

For the period of time from April 1, 2004 through [June 30/July31], 2004 (the "Prior Period"), Boston Edison will calculate an amount equal to the aggregate of: (1) for each month, the Entitlement Payment less the actual charges paid by Boston Edison to OSP and OSP II under the OSP Contracts; and (2) (a) for each hour in which energy is delivered to Boston Edison by OSP or OSP II, the hourly day ahead locational marginal price ("LMP") at the delivery point(s) referenced in the OSP Contracts multiplied by (b) the quantity of energy actually received by Boston Edison from OSP and OSP II for such hour. The balance will be calculated and provided to TCE by Boston Edison 30 days prior to the Closing Date and paid by Boston Edison to TCE, if positive, and by TCE to Boston Edison if negative, within ten (10) days of the Closing Date.

Interim Period

For the period of time from [July 1/August 1], 2004 through the Closing Date (the "Interim Period"), TCE shall calculate for each month an amount equal to the Entitlement Payment less the actual charges paid by Boston Edison to OSP and OSP II under the OSP Contracts for such month. The total of such monthly amounts will be calculated by TCE within ten (10) Business Days of delivery of invoices by OSP and OSP II for the last month of the Interim Period and paid by Boston Edison to TCE, if positive, and by TCE to Boston Edison if negative, and such payment shall be due within 15 Business Days of the receipt of such calculation.

Pro Rating

For the purposes of this Exhibit B only, if the Closing Date occurs other than on the first day of a month, the Entitlement Payment and any fixed amount payable by Boston Edison to OSP and OSP II for such month shall be pro rated based on the number of days preceding the Closing Date in such month.

EXHIBIT C
FORM W-8BEN

Form **W-8BEN**

(Rev. December 2000)

Department of the Treasury
Internal Revenue Service**Certificate of Foreign Status of Beneficial Owner
for United States Tax Withholding**▶ Section references are to the Internal Revenue Code. ▶ See separate instructions.
▶ Give this form to the withholding agent or payer. Do not send to the IRS.

OMB No. 1545-1621

Do not use this form for:

- A U.S. citizen or other U.S. person, including a resident alien individual. Instead, use Form: **W-9**
- A person claiming an exemption from U.S. withholding on income effectively connected with the conduct of a trade or business in the United States. **W-8ECI**
- A foreign partnership, a foreign simple trust, or a foreign grantor trust (see instructions for exceptions). **W-8ECI or W-8IMY**
- A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession that received effectively connected income or that is claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (see instructions). **W-8ECI or W-8EXP**

Note: These entities should use Form W-8BEN if they are claiming treaty benefits or are providing the form only to claim they are a foreign person exempt from backup withholding.

- A person acting as an intermediary. **W-8IMY**

Note: See instructions for additional exceptions.

Part I Identification of Beneficial Owner (See instructions.)

1 Name of individual or organization that is the beneficial owner TransCanada Energy Ltd.		2 Country of incorporation or organization Canada	
3 Type of beneficial owner:			
<input type="checkbox"/> Individual		<input checked="" type="checkbox"/> Corporation	
<input type="checkbox"/> Grantor trust		<input type="checkbox"/> Disregarded entity	
<input type="checkbox"/> Complex trust		<input type="checkbox"/> Partnership	
<input type="checkbox"/> Central bank of issue		<input type="checkbox"/> Simple trust	
<input type="checkbox"/> Tax-exempt organization		<input type="checkbox"/> International organization	
<input type="checkbox"/> Private foundation			
4 Permanent residence address (street, apt. or suite no., or rural route). Do not use a P.O. box or in-care-of address. 450 - 1st Street S.W.			
City or town, state or province. Include postal code where appropriate. Calgary, Alberta, T2P 5H1		Country (do not abbreviate) Canada	
5 Mailing address (if different from above)			
City or town, state or province. Include postal code where appropriate.		Country (do not abbreviate)	
6 U.S. taxpayer identification number, if required (see instructions) 98-0165138			
<input type="checkbox"/> SSN or ITIN		<input checked="" type="checkbox"/> EIN	
7 Foreign tax identifying number, if any (optional)			
8 Reference number(s) (see instructions)			

Part II Claim of Tax Treaty Benefits (if applicable)

- 9 I certify that (check all that apply):
- a ☒ The beneficial owner is a resident of **Canada** within the meaning of the income tax treaty between the United States and that country.
 - b ☒ If required, the U.S. taxpayer identification number is stated on line 6 (see instructions).
 - c ☒ The beneficial owner is not an individual, derives the item (or items) of income for which the treaty benefits are claimed, and, if applicable, meets the requirements of the treaty provision dealing with limitation on benefits (see instructions).
 - d ☐ The beneficial owner is not an individual, is claiming treaty benefits for dividends received from a foreign corporation or interest from a U.S. trade or business of a foreign corporation, and meets qualified resident status (see instructions).
 - e ☐ The beneficial owner is related to the person obligated to pay the income within the meaning of section 267(b) or 707(b), and will file Form 8833 if the amount subject to withholding received during a calendar year exceeds, in the aggregate, \$500,000.
- 10 Special rates and conditions (if applicable — see instructions): The beneficial owner is claiming the provisions of Article **VII** of the treaty identified on line 8a above to claim a **0** % rate of withholding on (specify type of income): **Business Profits**.
Explain the reasons the beneficial owner meets the terms of the treaty article:

Part III Notional Principal Contracts

- 11 ☐ I have provided or will provide a statement that identifies those notional principal contracts from which the income is not effectively connected with the conduct of a trade or business in the United States. I agree to update this statement as required.

Part IV Certification

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- I am the beneficial owner (or am authorized to sign for the beneficial owner) of all the income to which this form relates,
 - The beneficial owner is not a U.S. person,
 - The income to which this form relates is not effectively connected with the conduct of a trade or business in the United States or is effectively connected but is not subject to tax under an income tax treaty, and
 - For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.
- Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner.

Sign Here

Signature of beneficial owner (or individual authorized to sign for beneficial owner)

Date (MM-DD-YYYY)

Capacity in which acting

For Paperwork Reduction Act Notice, see separate instructions.

Form **W-8BEN** (Rev. 12-2000)ISA
STP FED8135F

EXHIBIT D

INTERIM PERIOD

The Seller shall use commercially reasonable efforts to make a temporary entitlement transfer of the OSP Contracts to the Buyer as soon as reasonably possible, but in any event by no later than August 1, 2004. The date on which such transfer occurs (the "Entitlement Date") shall be either July 1, 2004 or August 1, 2004.

For the period between the Entitlement Date and the first to occur of the Closing Date or termination of this Agreement (the "Interim Period"), the Parties agree to the following settlement methodology:

- (a) The Seller shall make a temporary entitlement transfer of the OSP Contracts to the Buyer effective on the Entitlement Date. This entitlement transfer will extend through the end of the Interim Period and will allow the Buyer to receive the Seller's full entitlement under the OSP Contracts.
- (b) The Parties agree to establish a tracking account (the "Interim Period Refund Account"), the purpose of which is to allow the Parties to financially reverse the effects of the temporary assignment set forth in Section (a) above if the Parties agree to terminate this Agreement prior to Closing. The Interim Period Refund Account will be equal to the hourly day ahead Locational Marginal Price at the delivery point(s) referenced in the OSP Contracts multiplied by the quantity of energy actually received by the Buyer from OSP and OSP II for each hour that energy is delivered to the Buyer under the OSP Contracts during the Interim Period. If this Agreement is terminated prior to Closing, within thirty (30) days of the termination of this Agreement, the balance of the Interim Period Refund Account (the "Interim Period Refund") will be calculated by the Buyer and paid by the Buyer to the Seller.

EXHIBIT E

TO PURCHASE AND SALE AGREEMENT

CONSENT AND RELEASE AGREEMENT FROM OSP

Consent and Release Agreement (this "Agreement") made, executed and delivered on this ____ day of ____, 2004 by and between Boston Edison Company, a Massachusetts corporation ("BECo") and Ocean State Power, a Rhode Island general partnership ("OSP"), each individually a "Party", and collectively the "Parties".

WHEREAS, pursuant to a Purchase and Sale Agreement dated as of June 23, 2004 between BECo and TransCanada Energy Ltd. (the "Buyer"), BECo is assigning all of its right, title and interest in, and Buyer is assuming all liabilities and obligations of BECo under, a certain Unit Power Agreement for the Sale of Unit Capacity and Energy by and between BECo and OSP dated December 31, 1985 including any amendments thereto (the "Unit Power Agreement").

NOW THEREFORE, in good consideration of these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, BECo and OSP agree as follows:

1. For the purposes of this Agreement, "Closing Date" means the effective date of the assignment of the Unit Power Agreement by BECo to the Buyer. Following such assignment, BECo shall promptly provide written notice to OSP of the Closing Date.
2. OSP hereby consents to the assignment of the Unit Power Agreement by BECo to the Buyer, including, without limitation, all of BECo's rights, interests and obligations thereunder. OSP further agrees that such assignment shall be without recourse to BECo. This Agreement shall not effect or alter any term, condition or provision contained in the Unit Power Agreement, and the terms, conditions and provisions of the Unit Power Agreement shall continue in full force and effect.
3. As and from the Closing Date, OSP hereby forever releases and discharges BECo of and from any and all covenants, obligations, liabilities, claims, demands, actions, causes of action and undertakings whatsoever in, to, under or in respect of the Unit Power Agreement, other than BECo's obligation to pay to OSP all amounts owing for Capacity and Corresponding Energy (as defined in the Unit Power Agreement) delivered on or before the Closing Date.
4. As and from the Closing Date, BECo hereby forever releases and discharges OSP of and from any and all covenants, obligations, liabilities, claims, demands, actions, causes of action and undertakings whatsoever in, to under or in respect

of the Unit Power Agreement, other than OSP's obligation to pay to BECo any and all refunds and adjustments relating to Capacity and Corresponding Energy (as defined in the Unit Power Agreement) delivered on or before the Closing Date.

5. Each of the Parties shall from time to time execute and deliver all such further documents and instruments and do all acts and things as any other Party may reasonably be required to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

6. This Agreement shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable Massachusetts principles of conflicts of laws).

7. This Agreement constitutes the entire agreement between the Parties in respect of the subject matter hereof and cancel and supersede any prior agreements, undertakings, declarations, commitments, representations, written or oral, in respect thereof.

8. This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the respective duly authorized officers of BECo and OSP as of the date first above written.

BOSTON EDISON COMPANY

By: _____
Name:
Title:

OCEAN STATE POWER by •

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT F

TO PURCHASE AND SALE AGREEMENT

CONSENT AND RELEASE AGREEMENT FROM OSP II

Consent and Release Agreement (this "Agreement") made, executed and delivered on this ____ day of _____, 2004 by and between Boston Edison Company, a Massachusetts corporation ("BECo") and Ocean State Power II, a Rhode Island general partnership ("OSP"), each individually a "Party", and collectively the "Parties".

WHEREAS, pursuant to a Purchase and Sale Agreement dated as of June 23, 2004 between BECo and TransCanada Energy Ltd. (the "Buyer"), BECo is assigning all of its right, title and interest in, and Buyer is assuming all liabilities and obligations of BECo under, a certain Unit Power Agreement for the Sale of Unit 2 Capacity and Energy by and between BECo and OSP dated July 1, 1988 including any amendments thereto (the "Unit Power Agreement").

NOW THEREFORE, in good consideration of these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, BECo and OSP agree as follows:

1. For the purposes of this Agreement, "Closing Date" means the effective date of the assignment of the Unit Power Agreement by BECo to the Buyer. Following such assignment, BECo shall promptly provide written notice to OSP of the Closing Date.
2. OSP hereby consents to the assignment of the Unit Power Agreement by BECo to the Buyer, including, without limitation, all of BECo's rights, interests and obligations thereunder. OSP further agrees that such assignment shall be without recourse to BECo. This Agreement shall not effect or alter any term, condition or provision contained in the Unit Power Agreement, and the terms, conditions and provisions of the Unit Power Agreement shall continue in full force and effect.
3. As and from the Closing Date, OSP hereby forever releases and discharges BECo of and from any and all covenants, obligations, liabilities, claims, demands, actions, causes of action and undertakings whatsoever in, to, under or in respect of the Unit Power Agreement, other than BECo's obligation to pay to OSP all amounts owing for Capacity and Corresponding Energy (as defined in the Unit Power Agreement) delivered on or before the Closing Date.
4. As and from the Closing Date, BECo hereby forever releases and discharges OSP of and from any and all covenants, obligations, liabilities, claims, demands, actions, causes of action and undertakings whatsoever in, to under or in respect

of the Unit Power Agreement, other than OSP's obligation to pay to BECo any and all refunds and adjustments relating to Capacity and Corresponding Energy (as defined in the Unit Power Agreement) delivered on or before the Closing Date.

5. Each of the Parties shall from time to time execute and deliver all such further documents and instruments and do all acts and things as any other Party may reasonably be required to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

6. This Agreement shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable Massachusetts principles of conflicts of laws).

7. This Agreement constitutes the entire agreement between the Parties in respect of the subject matter hereof and cancel and supersede any prior agreements, undertakings, declarations, commitments, representations, written or oral, in respect thereof.

8. This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the respective duly authorized officers of BECo and OSP as of the date first above written.

BOSTON EDISON COMPANY

By: _____
Name:
Title:

OCEAN STATE POWER II by •

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT G
FORM W-8BEN

Form **W-8BEN**

(Rev. December 2000)

Department of the Treasury
Internal Revenue Service**Certificate of Foreign Status of Beneficial Owner
for United States Tax Withholding**▶ Section references are to the Internal Revenue Code. ▶ See separate instructions.
▶ Give this form to the withholding agent or payer. Do not send to the IRS.

OMB No. 1545-1821

Do not use this form for:

- A U.S. citizen or other U.S. person, including a resident alien individual Instead, use Form: **W-9**
- A person claiming an exemption from U.S. withholding on income effectively connected with the conduct of a trade or business in the United States **W-8ECI**
- A foreign partnership, a foreign simple trust, or a foreign grantor trust (see instructions for exceptions) **W-8ECI or W-8SIMY**
- A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession that received effectively connected income or that is claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (see instructions) **W-8ECI or W-8EXP**

Note: These entities should use Form W-8BEN if they are claiming treaty benefits or are providing the form only to claim they are a foreign person exempt from backup withholding.

- A person acting as an intermediary **W-8IMY**

Note: See instructions for additional exceptions.

Part I Identification of Beneficial Owner (See instructions.)

1 Name of individual or organization that is the beneficial owner TransCanada Energy Ltd.		2 Country of incorporation or organization Canada																
3 Type of beneficial owner: <table border="0" style="width: 100%;"><tr><td><input type="checkbox"/> Individual</td><td><input checked="" type="checkbox"/> Corporation</td><td><input type="checkbox"/> Disregarded entity</td><td><input type="checkbox"/> Partnership</td><td><input type="checkbox"/> Simple trust</td></tr><tr><td><input type="checkbox"/> Grantor trust</td><td><input type="checkbox"/> Complex trust</td><td><input type="checkbox"/> Estate</td><td><input type="checkbox"/> Government</td><td><input type="checkbox"/> International organization</td></tr><tr><td><input type="checkbox"/> Central bank of issue</td><td><input type="checkbox"/> Tax-exempt organization</td><td><input type="checkbox"/> Private foundation</td><td colspan="2"></td></tr></table>				<input type="checkbox"/> Individual	<input checked="" type="checkbox"/> Corporation	<input type="checkbox"/> Disregarded entity	<input type="checkbox"/> Partnership	<input type="checkbox"/> Simple trust	<input type="checkbox"/> Grantor trust	<input type="checkbox"/> Complex trust	<input type="checkbox"/> Estate	<input type="checkbox"/> Government	<input type="checkbox"/> International organization	<input type="checkbox"/> Central bank of issue	<input type="checkbox"/> Tax-exempt organization	<input type="checkbox"/> Private foundation		
<input type="checkbox"/> Individual	<input checked="" type="checkbox"/> Corporation	<input type="checkbox"/> Disregarded entity	<input type="checkbox"/> Partnership	<input type="checkbox"/> Simple trust														
<input type="checkbox"/> Grantor trust	<input type="checkbox"/> Complex trust	<input type="checkbox"/> Estate	<input type="checkbox"/> Government	<input type="checkbox"/> International organization														
<input type="checkbox"/> Central bank of issue	<input type="checkbox"/> Tax-exempt organization	<input type="checkbox"/> Private foundation																
4 Permanent residence address (street, apt. or suite no., or rural route). Do not use a P.O. box or in-care-of address. 450 - 1st Street S.W. City or town, state or province. Include postal code where appropriate. Calgary, Alberta, T2P 5H1																		
		Country (do not abbreviate) Canada																
5 Mailing address (if different from above) City or town, state or province. Include postal code where appropriate. Country (do not abbreviate)																		
6 U.S. taxpayer identification number, if required (see instructions) 98-0165138		7 Foreign tax identifying number, if any (optional) <input type="checkbox"/> SSN or ITIN <input checked="" type="checkbox"/> EIN																
8 Reference number(s) (see instructions)																		

Part II Claim of Tax Treaty Benefits (if applicable)

- 9 I certify that (check all that apply):
- a ☒ The beneficial owner is a resident of Canada within the meaning of the income tax treaty between the United States and that country.
 - b ☒ If required, the U.S. taxpayer identification number is stated on line 6 (see instructions).
 - c ☒ The beneficial owner is not an individual, derives the item (or items) of income for which the treaty benefits are claimed, and, if applicable, meets the requirements of the treaty provision dealing with limitation on benefits (see instructions).
 - d ☐ The beneficial owner is not an individual, is claiming treaty benefits for dividends received from a foreign corporation or interest from a U.S. trade or business of a foreign corporation, and meets qualified resident status (see instructions).
 - e ☐ The beneficial owner is related to the person obligated to pay the income within the meaning of section 267(b) or 707(b), and will file Form 8833 if the amount subject to withholding received during a calendar year exceeds, in the aggregate, \$500,000.
- 10 Special rates and conditions (if applicable — see instructions): The beneficial owner is claiming the provisions of Article VII of the treaty identified on line 9a above to claim a 0 % rate of withholding on (specify type of income): Business Profits.
Explain the reasons the beneficial owner meets the terms of the treaty article: _____

Part III Notional Principal Contracts

- 11 ☐ I have provided or will provide a statement that identifies those notional principal contracts from which the income is not effectively connected with the conduct of a trade or business in the United States. I agree to update this statement as required.

Part IV Certification

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- I am the beneficial owner (or am authorized to sign for the beneficial owner) of all the income to which this form relates,
 - The beneficial owner is not a U.S. person,
 - The income to which this form relates is not effectively connected with the conduct of a trade or business in the United States or is effectively connected but is not subject to tax under an income tax treaty, and
 - For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.
- Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner.

Sign Here

Signature of beneficial owner (or individual authorized to sign for beneficial owner)

Date (MM-DD-YYYY)

Capacity in which acting

For Paperwork Reduction Act Notice, see separate instructions.

Form **W-8BEN** (Rev. 12-2000)ISA
STF FED8135F

Petition of Boston Edison Company
for Approvals Relating to the Assignment of
Purchase Power Agreements with
Ocean State Power and Ocean State Power II

MOTION OF BOSTON EDISON COMPANY FOR A PROTECTIVE ORDER

On this date, Boston Edison Company d/b/a NSTAR Electric (“Boston Edison” or the “Company”) filed with the Department of Telecommunications and Energy (the “Department”) a Petition (the “Petition”) for Approvals Relating to the Assignment of Purchase Power Agreements (the “PPAs”). The Petition seeks approval by the Department, pursuant to G.L. c. 164, §§ 1A, 1G, 76, 94, and 94A, of: (1) the Purchase and Sale Agreement between Boston Edison and TransCanada Energy Ltd. (“TransCanada”) that would assign Boston Edison’s current purchase power contracts with Ocean State Power (“OSP 1”) and Ocean State Power II (“OSP 2”) (collectively, “OSP”), which are Rhode Island partnerships; and (b) approval of ratemaking treatment relating to the TransCanada Purchase and Sale Agreement.

As part of the Company's filing, Boston Edison has submitted exhibits that, in part, include information regarding the Company's projections of future energy prices and its forecasts of payments to be made pursuant to existing PPAs with OSP and PPAs with other parties. Exhibit NSTAR-BEC-GOL-3, pages 6 through 8; Exhibit NSTAR-BEC-GOL-4, pages 6 through 8; Exhibit NSTAR-BEC-GOL-5, pages 2 and 3; Exhibit

NSTAR-BEC-GOL-6, pages 2 and 3; Exhibit NSTAR-BEC-GOL-7, pages 2 and 3; Exhibit NSTAR-BEC-GOL-8, pages 2 and 3; and Exhibit NSTAR-RBH-6, pages 2 through 5 (together, the “Confidential Documents”), contain proprietary, confidential and sensitive competitive information regarding: (1) the Company’s projections regarding the future market price of power; and (2) projections regarding the future costs of the Company’s existing PPAs. For the reasons set forth below, the Company seeks a protective order from the Department to prohibit public disclosure of this proprietary, confidential and sensitive competitive information.

II. LEGAL STANDARD

Confidential information may be protected from public disclosure in accordance with G.L. c. 25, § 5D, which states in part that:

The [D]epartment may protect from public disclosure, trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings conducted pursuant to this chapter. There shall be a presumption that the information for which such protection is sought is public information and the burden shall be on the proponent of such protection to prove the need for such protection. Where the need has been found to exist, the [D]epartment shall protect only so much of the information as is necessary to meet such need.

In interpreting the statute, the Department has held that:

. . . [T]he burden on the company is to establish the need for protection of the information cited by the company. In determining the existence and extent of such need, the Department must consider the presumption in favor of disclosure and the specific reasons why disclosure of the disputed information benefits the public interest.

The Berkshire Gas Company et al., D.P.U. 93-187/188/189/190, at 16 (1994) as cited in Hearing Officers Ruling On the Motion of Boston Gas Company for Confidentiality, D.P.U. 96-50, at 4 (1996).

In practice, the Department has often exercised its authority to protect sensitive market information. For example, the Department has determined specifically that competitively sensitive information, such as price terms, are subject to protective status:

The Department will continue to accord protective status when the proponent carries its burden of proof by indicating the manner in which the price term is competitively sensitive. Proponents generally will face a more difficult task of overcoming the statutory presumption against the disclosure of other terms, such as the identity of the customer.

Standard of Review for Electric Contracts, D.P.U. 96-39, at 2, Letter Order (August 30, 1996). See also Colonial Gas Company, D.P.U. 96-18, at 4 (1996) (the Department determined that price terms were protected in gas supply contracts and allowed Colonial Gas Company's request to protect pricing information including all "reservation fees or charges, demand charges, commodity charges and other pricing information").

Moreover, the Department has recognized that competitively sensitive terms in a competitive market should be protected and that such protection is desirable as a matter of public policy:

The Department recognizes that the replacement gas purchases . . . are being made in a substantially competitive market with a wide field of potential suppliers. This competitive market should allow LDC's to obtain lower gas prices for the benefit of their ratepayers. Clearly the Department should ensure that its review process does not undermine the LDC's efforts to negotiate low cost flexible supply contracts for their systems. The Department also recognizes that a policy of affording contract confidentiality may add value to contracts and provide benefits to ultimate consumers of gas, the LDC's ratepayers, and therefore may be desirable for policy reasons.

The Berkshire Gas Company et al., D.P.U 93-187/188/189/190, at 20 (1994).

III. INFORMATION REGARDING THE COMPANY'S ANALYSIS OF THE FUTURE ENERGY COSTS IS PROPRIETARY, CONFIDENTIAL AND SENSITIVE AND WARRANTS PROTECTION FROM PUBLIC DISCLOSURE

The Company requests confidential treatment of information relating to its projections of the market value of their existing PPAs and the projected costs to be incurred in future years for PPAs other than the OSP PPAs. Each of the Confidential Documents contain the Company's projections¹ of: (1) the annual dollars to be paid under each of their existing PPAs; (2) the Company's projections relating to market prices of the electricity delivered under each of their existing PPAs; and (3) the projections of the annual above-market value of each of their existing PPAs. Most of the projections are derived from information in Exhibit NSTAR-RBH-6, which contains: (1) the Company's projections of the market prices of energy (Pages 4-5); and (2) the Company's detailed calculations of their projected costs of the existing OSP PPAs, which are based on such market-price projections (Pages 2-3).

The Company is seeking protected treatment for the Confidential Documents for several reasons. First, the market forecast data is considered proprietary by the company that produced it, and was provided to the Company pursuant to a confidentiality agreement. More importantly, however, these projections must be protected from public disclosure because the Company uses this information to evaluate other PPA mitigation proposals. The Company, as well as Cambridge Electric Light Company and Commonwealth Electric Company, has not yet completed the divestiture of all existing PPAs and is in active negotiations with other parties. If other parties had access to the

¹ In some cases, the projections are not directly set forth, but can be computed with the data included in the page.

details of the Company's updated projections and assumptions regarding future energy prices and the value of their existing PPAs, the Company's ability to negotiate the best deals possible on behalf of customers would be compromised. In fact, public release of the information in the Confidential Documents will disclose the very types of information that the Department has previously and consistently held to be confidential because the release of such information would "seriously undermine" the Company's negotiating position and thus, result in customers not realizing the maximum amount of mitigation. Western Massachusetts Electric Company, D.T.E. 99-101, at 3 (2002), citing Boston Edison Company, D.T.E. 99-16 (1999); Western Massachusetts Electric Company, D.T.E. 99-56 (1999). See also Canal Electric Company/Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 02-34 (Tr. A at 19 (June 12, 2002)) and Cambridge Electric Light Company, D.T.E. 01-94 (May 9, 2002 Approval by the Department of Amended Motion of Cambridge Electric Light Company for a Protective Order).

Accordingly, both the information and the Company's strategic use of the information presented Confidential Documents should be protected from public disclosure through the issuance of a protective order because the information is proprietary, confidential and competitively sensitive. The disclosure of this sensitive information would undermine the Company's ability to maximize mitigation efforts, which inures to the benefit of the Company's customers. The Department has protected similar information relating to analyses of the benefits of restructured or terminated PPAs submitted in previous proceedings. Therefore, the Company requests that the Department protect the market price and related analysis in the Confidential Documents from public

disclosure, consistent with G.L. c. 25, § 5 and Department precedent.

IV. CONCLUSION

Boston Edison respectfully requests that Confidential Documents be held confidential, not be placed in the public docket and be disclosed only to the Department. Parties to the case may request to review the exhibits, subject to the terms of a mutually agreed Non-Disclosure Agreement. This approach will allow the Department and parties to the proceeding to review the Company's analysis of the Pittsfield Termination Agreements while ensuring that proprietary, confidential and sensitive market-related information will remain confidential.

WHEREFORE, for the reasons set forth herein, the Company respectfully requests that the Department allow the Company's Motion for a Protective Order.

Respectfully submitted,

BOSTON EDISON COMPANY

By its Attorneys,

A handwritten signature in dark ink, appearing to read "Robert N. Werlin", is written over a horizontal line.

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Date: July 16, 2004

BOSTON EDISON COMPANY
d/b/a NSTAR ELECTRIC

Direct Testimony of Geoffrey O. Lubbock on
Ocean State Power Contract Assignment

Exhibit NSTAR-GOL

D.T.E. 04-68

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Geoffrey O. Lubbock. My business address is One NSTAR Way,
4 Westwood, Massachusetts, 02090.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by NSTAR Electric & Gas Corporation (“NSTAR E&G”) as Vice
7 President, Financial Strategic Planning & Policy. In my current position, I am
8 responsible for a broad range of regulatory and financial planning responsibilities
9 for Boston Edison Company (“Boston Edison”), Cambridge Electric Light
10 Company (“Cambridge”), Commonwealth Electric Company (“Commonwealth”)
11 (collectively, “NSTAR Electric”) and NSTAR Gas Company.

12 **Q. Please describe your education and professional background.**

13 A. I have a Bachelor and Master of Arts from Cambridge University and a Masters
14 Degree in Business from the London Graduate School of Business. I joined
15 Boston Edison Company (“Boston Edison”) in 1988 as Manager of Revenue
16 Requirements. In 1991, I became Manager of Revenue Requirements and
17 Financial Planning. In 1993, I became Manager of Energy Research Planning and
18 Forecasting. In 1995, I became Manager of Corporate Service Commitments and

1 in 1997, I became Director of Generation Divestiture. I assumed my current
2 position in July 1998. Prior to Boston Edison, I was with the Cabot Corporation,
3 Exxon Corporation and Citibank.

4 **Q. Have you previously testified in any formal hearings before regulatory**
5 **bodies?**

6 A. Yes, on a number of occasions. Currently, I am sponsoring testimony in D.T.E.
7 04-60 and D.T.E. 04-61, which are similar proceedings to this in that they also
8 relate to restructuring of purchase power contracts. In addition, I testified before
9 the Department of Telecommunications and Energy (the “Department”) to
10 support Boston Edison’s Restructuring Settlement Agreement in
11 D.P.U./D.T.E. 96-23 and in connection with approval of the divestiture of Boston
12 Edison’s fossil generation assets in D.T.E. 97-113. I have also testified before the
13 Department on behalf of Boston Edison in connection with the approval of its sale
14 of the Pilgrim Nuclear Power Station to Entergy Nuclear Generation Company in
15 D.T.E. 98-119.

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to support the Petition for Approval of the
18 agreement to permanently assign the existing purchase power agreements
19 (“PPAs”) of Boston Edison with Ocean State Power (“OSP”) to TransCanada
20 Energy Ltd. (“TransCanada”). In particular, I will describe the financial impact
21 of the transaction, including the effect of the transaction on customer rates. In

1 addition, I will demonstrate that the proposed transaction satisfies NSTAR
2 Electric's obligation to mitigate its PPA-related stranded costs pursuant to the
3 Electric Industry Restructuring Act, which is Chapter 164 of the Acts of 1997 (the
4 "Act") and Boston Edison's Restructuring Settlement, as approved in
5 D.P.U./D.T.E. 96-23. To accomplish this, I will: (1) summarize the filing; (2)
6 describe the divestiture requirements of the Act; (3) describe NSTAR Electric's
7 efforts since the Act to divest its PPAs, including its 2003 Auction (the "2003
8 Auction"); and (4) support the request for approval of the agreement dated June
9 23, 2004 with TransCanada for the permanent assignment of the OSP PPAs (the
10 "TransCanada Purchase and Sale Agreement") and associated ratemaking
11 treatment of the related costs.

12 **Q. Is NSTAR Electric submitting the testimony of other witnesses in this**
13 **proceeding?**

14 A. Yes. In addition to my own testimony, NSTAR Electric is sponsoring the
15 testimony of Robert B. Hevert, President of Concentric Energy Advisors, Inc.
16 ("CEA"), to provide details regarding the auction process and the auction results.

17 **Q. How is the remainder of your testimony organized?**

18 A. Section II outlines the divestiture provisions of the Act and the Department's
19 Standard of Review for reviewing proposals to mitigate transition costs through
20 contract modifications. Section III describes NSTAR Electric's efforts to divest
21 its PPAs, including the 2003 Auction for the sale or transfer of NSTAR Electric's

1 rights to 24 PPAs. Section IV describes the TransCanada Purchase and Sale
2 Agreement, a demonstration that they will achieve significant mitigation of
3 transition costs and savings for customers, and the ratemaking treatment requested
4 for the costs to be incurred under the TransCanada Purchase and Sale Agreement.

5 **Q. Please describe the exhibits attached to your testimony.**

6 A. NSTAR-GOL-1 A single-page document that lists the PPAs that
7 were included in the 2003 Auction.

8 NSTAR-BEC-GOL-1 Copies of the existing two PPAs between Boston
9 Edison and Ocean State Power (OSP I and OSP II)

10 NSTAR-BEC-GOL-2 A single-page document summarizing the total
11 Boston Edison customer savings produced by the
12 TransCanada Purchase and Sale Agreement.

13 NSTAR-BEC-GOL-3 A multi-page document that details the forecasted
14 Boston Edison Transition Charges in the absence of
15 the TransCanada Purchase and Sale Agreement.

16 NSTAR-BEC-GOL-4 A multi-page document that details the forecasted
17 Boston Edison Transition Charges after approval of
18 the TransCanada Purchase and Sale Agreement and
19 associated ratemaking treatment.

20 NSTAR-BEC-GOL-5 A multi-page document that details the forecasted
21 Boston Edison Standard Offer Service revenues and
22 costs for 2004 in the absence of the TransCanada
23 Purchase and Sale Agreement.

24 NSTAR-BEC-GOL-6 A multi-page document that details the forecasted
25 Boston Edison Standard Offer Service revenues and
26 costs for 2004 after approval of the TransCanada
27 Purchase and Sale Agreement and associated
28 ratemaking treatment.

1 NSTAR-BEC-GOL-7 A multi-page document that details the forecasted
2 Boston Edison Standard Offer Service revenues and
3 costs for 2005 in the absence of the TransCanada
4 Purchase and Sale Agreement.

5 NSTAR-BEC-GOL-8 A multi-page document that details the forecasted
6 Boston Edison Standard Offer Service revenues and
7 costs for 2005 after approval of the TransCanada
8 Purchase and Sale Agreement and associated
9 ratemaking treatment.

10 **II. DIVESTITURE REQUIREMENTS**

11 **Q. Please describe the divestiture requirements of the Act for PPA buyouts and**
12 **renegotiations.**

13 A. The Act, as codified in G.L. c. 164, § 1 et seq., requires electric companies to seek
14 to mitigate transition costs, including, as one mitigation method, the renegotiation
15 of above-market power purchase contracts. G.L. c. 164, § 1G(d)(1) and (2). The
16 Act further provides that, if a contract renegotiation, buy-out or buy-down is
17 likely to achieve savings to customers and is otherwise in the public interest, the
18 Department is authorized to approve the recovery of the costs associated with the
19 contract restructuring. G.L. c. 164, § 1G(b)(1)(iv).

20 **Q. Please describe how NSTAR Electric's Restructuring Settlement and**
21 **Restructuring Plan address PPA buyouts or renegotiations.**

22 A. Consistent with the Act, Boston Edison's Restructuring Settlement Agreement
23 (the "Settlement Agreement"), approved by the Department in Boston Edison
24 Company, D.P.U./D.T.E. 96-23, requires Boston Edison to mitigate its transition
25 costs by "endeavor[ing] to sell, assign or otherwise dispose of its purchased

1 power contracts on terms that will assign ongoing contract payments to a
2 nonaffiliated third party” (Settlement Agreement at §V.C.3.(a)). The Department
3 found that the Settlement Agreement’s provisions regarding mitigation were
4 consistent with or substantially complied with the Act.

5 Also consistent with the Act, Cambridge and Commonwealth’s Electric
6 Restructuring Plan (the “Restructuring Plan”), approved by the Department in
7 Cambridge Electric Light Company/Canal Electric Company/Commonwealth
8 Electric Company, D.P.U./D.T.E. 97-111, requires that Cambridge and
9 Commonwealth undertake all reasonable steps to mitigate its transition costs and
10 encourages the company to divest its non-nuclear generating assets. The
11 Department has previously found that Cambridge and Commonwealth are
12 committed to full mitigation of its transition costs, “principally by auctioning
13 off...PPAs and generating plants” in compliance with the Act. D.P.U./D.T.E. 97-
14 111, at 64. In this case, NSTAR Electric has presented the results of its 2003
15 Auction, and is requesting that the Department review the results of the auction
16 process to ensure its compliance with the Act and applicable precedent in
17 Massachusetts.

18 **III. NSTAR ELECTRIC’S DIVESTITURE EFFORTS**

19 **Q. Please explain NSTAR Electric’s efforts to divest its PPAs.**

20 A. Boston Edison, Commonwealth and Cambridge have attempted to divest or

1 renegotiate their respective PPAs since the enactment of the Act. Boston Edison
2 discussed its mitigation efforts in three mitigation reports filed with the
3 Department (see Boston Edison Company, Cambridge Electric Light Company,
4 Commonwealth Electric Company, D.T.E. 00-70 (Mitigation Report of NSTAR
5 Electric (January 19, 2001)); Department Investigation of Power Purchase
6 Agreement Mitigation, D.T.E. 99-62 (August 24, 1999 Mitigation Report of
7 Boston Edison Company); Department Investigation of Power Purchase
8 Agreement Mitigation, D.T.E. 98-62 (July 30, 1998 Mitigation Report of Boston
9 Edison Company)). In addition, Boston Edison submitted a PPA Divestiture Plan
10 to the Department in June 1998, which provided for a combination of continued
11 bilateral negotiations with the PPA sellers and an auction process to assign the
12 rights to the PPA entitlements to be conducted in 1999.

13 Cambridge and Commonwealth's mitigation efforts were included in
14 D.T.E. 00-70 (Mitigation Report of NSTAR Electric), referenced above, and also
15 mitigation reports filed in D.T.E. 99-62 (on August 23, 1999) and in D.T.E. 98-62
16 (on July 31, 1998). Cambridge and Commonwealth, with the assistance of the
17 Investment Firm Goldman Sachs, attempted to divest their entitlements through a
18 separate entitlement auction held with their 1998 auction to divest generation
19 assets. Neither of these auctions resulted in the transfer to third parties of the
20 rights and obligations under the PPAs since the bids would not provide mitigation

1 benefits to customers. However, NSTAR Electric has successfully bought out,
2 bought down or otherwise renegotiated contractual obligations with individual
3 suppliers in a way that has provided mitigation of transition costs for customers as
4 enumerated below.

5 **Q. Please describe NSTAR Electric's 1999 Joint Auction of PPAs.**

6 A. After the 1999 merger that created NSTAR, NSTAR Electric, with the assistance
7 of Navigant Consulting, initiated a joint auction that included all of their
8 remaining power contracts, as well as the supply of its Standard Offer load. The
9 joint auction commenced in September 1999. The solicitation process included
10 obtaining competitive bids for NSTAR Electric's interests in 29 separate PPAs
11 totaling approximately 2,000 MW of capacity and associated energy. NSTAR
12 Electric anticipated that it either would directly assign the PPAs to the winning
13 bidder(s) or, where contracts were not readily assignable, enter into a back-to-
14 back arrangement, thus effectively transferring all rights and obligations under the
15 PPAs to the winning bidder(s) for the remaining term of the PPAs.

16 In parallel with the PPA auction, NSTAR Electric solicited offers for power
17 necessary to meet certain of its Standard Offer Service obligation to retail
18 customers. Although the PPA and Standard Offer Service load competitive
19 bidding processes were conducted simultaneously, they were not contingent upon
20 one another. To optimize the flexibility of the offering, NSTAR Electric solicited

1 bids for: (1) all PPAs, any individual PPA, or any combination of PPAs; and/or
2 (2) all Standard Offer Service load or increments of Standard Offer Service load.

3 The intent of this design was to maximize the value of the solicitation process.

4 The financial evaluation of the preliminary bids did not yield evidence of any
5 mitigation for NSTAR Electric's customers. Analysis showed that most bidders
6 required a significant premium over the estimated cost of the PPAs. Ultimately,
7 NSTAR Electric determined that it would not be in the best interests of its
8 customers to enter into a transaction as a result of the solicitation process.

9 **Q. Prior to the 2003 Auction, was NSTAR Electric successful in buying out of or**
10 **renegotiating individual PPAs?**

11 A. Yes. NSTAR Electric has successfully renegotiated several PPAs with individual
12 suppliers, thereby achieving significant mitigation of transition costs and savings
13 for customers. The following PPAs have been renegotiated or bought-out since
14 the passage of the Act:

- 15 • MBTA PPAs (amendments by Boston Edison);
- 16 • Plymouth Rock Energy Associates, L.P. (settlement of issues by
17 Commonwealth);
- 18 • Pilgrim Nuclear Power Plant PPA (renegotiation by Commonwealth)
- 19 • L'Energia, Limited Partnership PPA (buy-out by Boston Edison);
- 20 • Lowell Cogeneration Company Limited Partnership PPA (buy-out by
21 Commonwealth); and

- 1 • Southern PPA (renegotiation by Boston Edison, Cambridge and
2 Commonwealth).

3 These mitigation efforts were detailed in the Mitigation Report of NSTAR
4 Electric, January 19, 2001, at 32-42. In addition, since the date of that report
5 NSTAR Electric has successfully completed the following PPA restructurings:

- 6 • Vermont Yankee PPA (Cambridge sale of plant and restructuring of power
7 contract); and
- 8 • Seabrook Nuclear Power Station PPA (Canal Electric Company sale of
9 plant and Cambridge and Commonwealth termination of power contract).

10 **Q. Please describe NSTAR Electric's objective and scope of the 2003 Auction.**

11 A. As described by Mr. Hevert, NSTAR Electric and CEA established a process that
12 was equitable and structured to maximize the value of the mitigation of transition
13 costs through a competitive auction that ensured the complete, uninhibited, non-
14 discriminatory access to all data and information by any and all interested parties
15 seeking to participate. The scope of the auction included NSTAR Electric's full
16 portfolio of PPAs, as listed in Exhibit NSTAR-GOL-1.

17 **Q. Does the TransCanada Purchase and Sale Agreement represent the only**
18 **successfully renegotiated PPA from the 2003 Auction?**

19 A. No. As a result of the 2003 Auction, NSTAR Electric has finalized two other
20 transactions, which are the subject of separate filings with the Department and is
21 close to finalizing new agreements relating to at least one other of NSTAR
22 Electric's remaining PPAs that, if approved by the Department, will result in

1 NSTAR Electric having mitigated the vast majority (in terms of both amount
2 electric energy purchases and above-market costs) of PPAs that will continue to
3 be in effect after March 1, 2005. NSTAR Electric intends to seek Department
4 approval of any such contracts in separate filings.

5 **IV. THE TRANSCANADA PURCHASE AND SALE AGREEMENT**

6 **Q. Please describe in general terms the key provisions of the TransCanada**
7 **Purchase and Sale Agreement.**

8 A. The TransCanada Purchase and Sale Agreement was negotiated by NSTAR
9 Electric and TransCanada as a result of the 2003 Auction. As described in the
10 testimony of Mr. Hevert, Boston Edison has two PPAs to purchase power from
11 the Ocean State Power generating facility located in Burrillville, RI: (1) the
12 Boston Edison/Ocean State Power PPA ("OSP I"); and (2) the Boston Edison
13 Ocean State Power 2 PPA ("OSP II"). The OSP I unit is a gas-fired cogeneration
14 facility consisting of two gas turbines and one steam turbine. The plant has a
15 current summer capacity rating of 271 MW, and a winter capacity rating of 317
16 MW. The OSP II unit is a gas-fired cogeneration facility consisting of two gas
17 turbines and one steam turbine. The plant has a current summer capacity rating of
18 270 MW, and a winter capacity rating of 318 MW.

19 Boston Edison has a 23.50 percent entitlement in the output in each of the OSP I
20 and OSP II facilities, which is not capped in the winter or summer. The term of
21 OSP I the runs through December 31, 2010, and OSP II runs through September

1 30, 2011. The pricing provisions of the OSP I and OSP II PPAs for energy and
2 capacity are based on Boston Edison's 23.50 percent entitlement of the total cost
3 of owning, operating and maintaining the facilities.

4 The TransCanada Purchase and Sale Agreement permanently transfers all
5 obligations of Boston Edison to purchase power under the OSP PPAs to
6 TransCanada. In return, Boston Edison is required to pay TransCanada Monthly
7 Support Payments over the life of the contracts for assuming all of Boston
8 Edison's rights and obligations under the contracts. We anticipate a closing date
9 before the end of the calendar year. In accordance with TransCanada's final bid,
10 the deal is financially settled back to April 1, 2004 as detailed in Mr. Hevert's
11 testimony.

12 **Q. What savings are derived from the TransCanada Purchase and Sale**
13 **Agreement?**

14 A. Compared to the existing PPAs, the TransCanada Purchase and Sale Agreement
15 will result in approximately \$12 million of savings to customers, on a net-present-
16 value ("NPV") basis. The savings are determined by comparing the forecast
17 Transition Charges to be paid by customers if the PPAs were to remain in effect
18 with the Transition Charges to be paid by customers under the TransCanada
19 Purchase and Sale Agreement. Summaries of the comparison, the annual savings
20 and the NPV savings calculation are shown on Exhibit NSTAR-BEC-GOL-2.

1 **Q. If the Existing PPAs were to remain in effect, how would customers pay the**
2 **forecast Transition Charges?**

3 A. Each year Boston Edison files with the Department its latest forecast of Transition
4 Costs to set the rates for the succeeding year. This was last filed in D.T.E. 03-
5 117, which was updated on March 1, 2004. Exhibit BEC-JFL-1 (Supp) in D.T.E.
6 03-117 is the most recent submission to the Department of the annual Transition
7 Charge as filed in that update. Exhibit NSTAR-BEC-GOL-3 in this filing
8 contains updated forecasts for Transition Costs based on actual results through
9 May 2004 and CEA's purchased power forecasts thereafter. This exhibit will
10 provide the base case or status quo Transition Charge forecasts against which the
11 changes resulting from the TransCanada Purchase and Sale Agreement are
12 measured.

13 **Q. If the above-market costs of the PPAs are recovered through the Transition**
14 **Charge, why have you included exhibits relating to the revenues and costs**
15 **associated with Standard Offer Service?**

16 A. The electricity purchased through the PPAs is used to supply a portion of Boston
17 Edison's obligation to provide its customers with Standard Offer Service. Thus,
18 the imputed costs of the output of all PPAs used for Standard Offer Service, the
19 so-called "transfer price," is used to compute the above-market costs of PPAs.
20 The transfer price is affected by the assignment of the existing Ocean State Power
21 PPAs because the reduced purchases will change the costs incurred to provide
22 Standard Offer Service. When the power from this contract is no longer available

1 to the supplier that provides NSTAR Electric's Standard Offer Service supplies
2 for 2004 (the "SOS Supplier"), the Company must replace this power and the
3 replacement power cost of \$13.173 million is shown on Exhibit NSTAR-BEC-
4 GOL-6, page 4, line 6. The quantity that the Company needs to buy to replace the
5 Ocean State Power is higher than that forecast from the units and thus the monthly
6 credit from its SOS Supplier is \$3.801 million higher than in the status-quo case
7 (Exhibits NSTAR-BEC-GOL-5 and -6, page 4, line 1, being \$223.909 million and
8 \$227.710 million, respectively). In addition, the credit to the SOS Supplier for
9 the sale of gas is reduced by \$4.760 million (Exhibits NSTAR-BEC-GOL-5 and
10 -6, page, 4, line 1a, being \$17.446 million and \$12.687, million respectively).
11 Thus, the net cost of replacement power for the period July through December is
12 \$4.613 million (\$13.173 million less \$3.801 million less \$4.760 million as
13 described above). This is the difference between Exhibits NSTAR-BEC-GOL-5
14 and -6, page 4, line 7 being \$196.954 million and \$201.567 million, respectively.
15 This additional cost reduces customer savings. By including in the analysis of
16 customer savings a forecast of the changes in the transfer prices for Standard
17 Offer Service, and its resulting impact on Transition Costs, all impacts on
18 customers of the TransCanada Purchase and Sale Agreement are properly
19 considered.

1 **Q. Please explain the credit to the SOS Supplier for the sale of gas described**
2 **above.**

3 A. As discussed above, the output from the OSP PPAs is used to provide Standard
4 Offer Service and as further described in Mr. Hevert's testimony the OSP units
5 have the ability to generate power or sell natural gas and credit such revenues to
6 the project. This practice has benefited customers through credits in the form of
7 gas layoff revenues, which are allocated to the entitlement holders based on their
8 entitlement percentage in the units. Under NSTAR Electric's Standard Offer
9 Service agreement with its SOS Supplier, the SOS Supplier is entitled to credits as
10 a result of such gas layoff practices as compensation for the fact that they must
11 replace the power from the units when gas is sold and generation is not available
12 from the plant.

13 **Q. How does the treatment of gas layoff practices effect the economics of the**
14 **TransCanada Purchase and Sale Agreement?**

15 A. Payments through July 1, 2004 when the unit transferred to TransCanada, are in
16 both the base case and the change case so there is no effect on the savings
17 calculation as a result of the TransCanada Purchase and Sale Agreement. In the
18 Base Case, after July 1, 2004 through December 31, 2004, there is a forecasted
19 credit to the SOS Supplier for the sale of gas of \$4.760 million. In the case where
20 the unit is transferred to TransCanada, these payments are no longer necessary.

1 **Q. What are the impacts of gas layoff practices to the OSP Unit costs beyond**
2 **2004?**

3 A. We have assumed that all revenues derived from gas layoff practices are credited
4 to the OSP unit costs thereby reducing stranded costs and since we have no SOS
5 agreement beyond December 2004 or Standard Offer Service obligation beyond
6 February 2005, we have made no adjustments to the TransCanada Purchase and
7 Sale Agreement economics going forward.

8 **Q. If the Department does not approve the transfer of the contract, what are the**
9 **impacts on customers?**

10 A. The primary impact is that the \$12 million benefits of the transaction will be lost.
11 There is a secondary impact in that NSTAR Electric has paid for replacement
12 power in the net amount of \$4.613 million as described above. This would be
13 offset by the requirement that TransCanada would need to reimburse the
14 Company for the actual generation of the Ocean State Plant at the locational
15 marginal price. Currently, the Company's estimate for this reimbursement
16 exceeds the net replacement power cost. Thus, there is no risk to customers if the
17 transfer to TransCanada is not approved.

18 **Q. Have you also updated the exhibits for Standard Offer Service?**

19 A. Yes. Each year when Boston Edison files its Transition Costs reconciliation, it
20 also files its forecast of costs of providing Standard Offer Service for the
21 subsequent year to set the Standard Offer rates for that year. These were also

1 updated on March 1, 2004. Exhibit BEC-JFL-6 (Supp) in D.T.E. 03-117 is the
2 most recent Standard Offer Service submissions to the Department. The
3 computation of 2004 Standard Offer charges have been further updated in Exhibit
4 NSTAR-BEC-GOL-5 in this filing for actual results through May 2004 and
5 CEA's purchased power forecasts thereafter. Since Standard Offer Service
6 extends through the end of February 2005, Exhibit NSTAR-BEC-GOL-7 has been
7 prepared in this filing to show the forecast for Standard Offer Service for January
8 and February 2005. These exhibits provide the base case or status quo against
9 which the changes resulting from the TransCanada Purchase and Sale Agreement
10 are measured. Exhibit NSTAR-BEC-GOL-6 and Exhibit NSTAR-BEC-GOL-8
11 compute the impact of the TransCanada Purchase and Sale Agreement on the
12 costs incurred for Standard Offer Service. These changes are included in Exhibit
13 NSTAR-BEC-GOL-4, pages 7 and 8.

14 **Q. How are the Transition Charges to be paid by customers under the**
15 **TransCanada Purchase and Sale Agreement computed?**

16 A. Exhibit NSTAR-BEC-GOL-4 is in the same format as Exhibit NSTAR-BEC-
17 GOL-3, and computes Transition Charges with the costs incurred under the
18 TransCanada Purchase and Sale Agreement instead of the Existing PPAs (pages 6
19 through 8). This exhibit also includes the effect on the mitigation incentive (page
20 5). The exhibit does not include consulting and legal costs incurred by NSTAR
21 Electric to conduct the 2003 Auction.

1 Because the consulting and legal costs will not be known with precision until after
2 the approval process is complete, these items will be reconciled to actual costs in
3 future transition cost reconciliation filings. This reconciliation may include
4 allocations to other contracts as they are approved which may result in the transfer
5 of costs between the various NSTAR Electric companies. We would plan to
6 allocate the costs based on the savings by contract.

7 **Q. Is Department approval required as a condition of the TransCanada**
8 **Purchase and Sale Agreement?**

9 A. Yes. Boston Edison must receive a final order from the Department approving
10 the permanent assignment of the OSP PPAs to TransCanada in accordance with
11 the TransCanada Purchase and Sale Agreement and approving the full recovery of
12 payments made pursuant under the TransCanada Purchase and Sale Agreement
13 through the Transition Charge. If Department approval is not received, the
14 existing contracts will remain unchanged and the Company will continue to be
15 obligated to purchase power from the OSP facilities (OSP I and OSP II) on the
16 existing terms.

17 **Q. What is the proposed ratemaking treatment that is being requested in this**
18 **case?**

19 A. NSTAR Electric requests only that, like the over-market costs paid under the
20 Existing PPAs, the costs incurred under the TransCanada Purchase and Sale
21 Agreement continue to be recovered in the Transition Charge of Boston Edison as

1 set forth in Exhibit NSTAR-BEC-GOL-4. Of course, the payments made and
2 Transition Charge revenues will continue to be reconciled to actual amounts as
3 part of NSTAR Electric's annual reconciliation process in accordance with the
4 terms of the approved Restructuring Settlement and Restructuring Plan.

5 **Q. Why do you believe that the Department should approve the TransCanada**
6 **Purchase and Sale Agreement?**

7 A. The TransCanada Purchase and Sale Agreement should be approved by the
8 Department because, consistent with the Act's requirements regarding the buyout
9 of PPAs, the TransCanada Purchase and Sale Agreement: (1) is likely to achieve
10 savings to customers; and (2) is otherwise in the public interest. Given the
11 estimated savings of approximately \$12 million on an NPV basis relating to the
12 TransCanada Purchase and Sale Agreement and the fact that the savings will be
13 passed on to customers, customers would realize a significant level of savings.
14 Moreover, the buyout of PPAs is consistent with the Act, and Boston Edison's
15 Department-approved Restructuring Settlement and, therefore, approval of the
16 TransCanada Purchase and Sale Agreement is in the public interest. Accordingly,
17 the TransCanada Purchase and Sale Agreement is reasonable and consistent with
18 the Department's standard of review for buyout agreements. Therefore, the
19 Department should review and approve the TransCanada Purchase and Sale
20 Agreement expeditiously so that the customers of Boston Edison may realize the

1 significant amount of savings relating to the TransCanada Purchase and Sale
2 Agreement.

3 **Q. Does this conclude your testimony?**

4 **A. Yes.**

Exhibit NSTAR-GOL-1

Unit & Contract	Capacity (MW)		Location	Expir.	Fuel	Technology
	Summer	Winter				
Altresco – Pittsfield (Cambridge)	24.3	29.8	Pittsfield, MA	2011	Gas	Combined cycle cogen
Altresco – Pittsfield (Commonwealth)	24.3	29.8	Pittsfield, MA	2011	Gas	Combined cycle cogen
Boott Hydro (Commonwealth)	20.0	20.0	Lowell, MA	2023	Water	Hydro
Chicopee Hydro (Commonwealth)	2.2	2.2	Chicopee, MA	2013	Water	Hydro
Collins Hydro (Commonwealth)	1.3	1.3	N. Wilbraham, MA	2013	Water	Hydro
Dartmouth Power (Commonwealth)	61.8	67.9	Dartmouth, MA	2017	Gas	Combined cycle with supplemental firing
Masspower (Boston Edison)	100.0	117.0	Indian Orchard, MA	2013	Gas	Combined cycle cogen
Masspower 1 (Commonwealth)	25.5	29.67	Indian Orchard, MA	2008	Gas	Combined cycle cogen
Masspower 2 (Commonwealth)	25.5	29.67	Indian Orchard, MA	2013	Gas	Combined cycle cogen
MBTA 1 (Boston Edison)	25.0	33.4	South Boston, MA	2005	Jet Fuel	Combustion Turbine
MBTA 2 (Boston Edison)	25.0	34.7	South Boston, MA	2019	Jet Fuel	Combustion Turbine
NEA A (Boston Edison)	123.5	153.0	Bellingham, MA	2016	Gas	Combined cycle cogen
NEA B (Boston Edison)	68.0	92.0	Bellingham, MA	2011	Gas	Combined cycle cogen
NEA 1 (Commonwealth)	22.9	28.3	Bellingham, MA	2016	Gas	Combined cycle cogen
NEA 2 (Commonwealth)	19.2	23.8	Bellingham, MA	2016	Gas	Combined cycle cogen
Ocean State 1 (Boston Edison)	63.7	74.5	Burrillville, RI	2010	Gas	Combined cycle cogen
Ocean State 2 (Boston Edison)	63.5	74.8	Burrillville, RI	2011	Gas	Combined cycle cogen
Pilgrim (Boston Edison)	230.8	230.8	Plymouth, MA	2004	Nuclear	Nuclear
Pilgrim Municipals (Boston Edison)	24.4	24.4	Plymouth, MA	2004	Nuclear	Nuclear
Pilgrim (Commonwealth)	36.0	36.0	Plymouth, MA	2004	Nuclear	Nuclear
Pioneer Hydro (Commonwealth)	1.3	1.3	Ware, MA	2014	Water	Hydro
SEMASS (Commonwealth)	46.2	50.7	Rochester, MA	2015	Refuse	Steam boiler
SEMASS Expansion (Commonwealth)	20.9	24.3	Rochester, MA	2015	Refuse	Steam boiler
Vermont Yankee (Cambridge)	12.7	13.2	Vernon, VT	2012	Nuclear	Nuclear
Total MW	1,068.0	1,222.5				

Year	Base Case Revenues	OSP Contract Assignment Revenues	Customer Savings
2004	\$ 284.420	\$ 284.420	\$ -
2005	361.657	364.681	(3.024)
2006	323.794	318.338	5.456
2007	322.308	318.811	3.497
2008	276.838	276.669	0.169
2009	276.789	275.101	1.688
2010	221.267	215.186	6.081
2011	149.616	147.297	2.318
2012	91.338	91.338	-
2013	90.424	90.424	-
2014	31.023	31.023	-
2015	29.112	29.112	-
2016	20.630	20.630	-
Total	<u>\$ 2,479.217</u>	<u>\$ 2,463.032</u>	<u>\$ 16.186</u>
6.61%	<u>\$ 1,982.007</u>	<u>\$ 1,970.178</u>	<u>\$ 11.830</u>

Present Value of Savings at After Tax Discount Rate
As defined on Page 254 of Settlement Agreement

Boston Edison Company
Transition Charge Calculation
\$ in Millions

Year	GWH Delivered	Transition Charge	Revenues for Delivered GWH		Fixed Component	Total Variable Component	Mitigation Incentive	Prior Year Deferral	Interest on Deferral	Expenses	(Over) Under Collection
Col. A	Col. B	Col. C	Col. D		Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K
2002											\$ (41.439)
2003	15,107	1.788	\$ 270.115		\$ 100.707	\$ 182.077	\$ 10.644	\$ (41.439)	\$ (4.509)	\$ 247.481	\$ (22.634)
2004	15,210	1.870	284.420		96.719	243.384	8.375	(22.634)	(2.463)	323.381	38.961
2005	15,514	2.331	361.657		91.872	223.874	2.712	38.961	4.239	361.657	-
2006	15,824	2.046	323.794		87.222	232.100	4.472	-	-	323.794	-
2007	16,141	1.997	322.308		82.339	236.172	3.797	-	-	322.308	-
2008	16,463	1.682	276.838		77.756	193.626	5.456	-	-	276.838	-
2009	16,793	1.648	276.789		72.833	200.498	3.458	-	-	276.789	-
2010	17,129	1.292	221.267		15.174	206.093	-	-	-	221.267	-
2011	17,471	0.856	149.616		-	149.616	-	-	-	149.616	-
2012	17,821	0.513	91.338		-	91.338	-	-	-	91.338	-
2013	18,177	0.497	90.424		-	90.424	-	-	-	90.424	-
2014	18,540	0.167	31.023		-	31.023	-	-	-	31.023	-
2015	18,911	0.154	29.112		-	29.112	-	-	-	29.112	-
2016	19,290	0.107	20.630		-	20.630	-	-	-	20.630	-

Col B 2003 per Page 2; Forecast 2004 sales; years beyond 2004 reflect 2% growth
Col C 2003 per Page 2; 2004 reflects actual tariff in effect; 2005 and later: Col J / Col B
Col D 2003 per Page 2; 2004 Col B * Col C / 100; future years equal to Col J
Col E Exh NSTAR-BEC-GOL-3, Pg 3, Col E
Col F Exh NSTAR-BEC-GOL-3, Pg 4, Col M
Col G Exh NSTAR-BEC-GOL-3, Pg 5, Col E
Col H Col. K prior year
Col I Col. H times 10.88%
Col J Sum Col E thru Col I
Col K Col J - Col D

Boston Edison Company
Actual 2003 Transition Revenues
\$ in Millions

Line	Description	GWH	A/C #	Per Book \$	Total
1	<u>2003 Transition Billed Revenues:</u>				
2	Residential Transition	4,254.664	440 160	\$ 76.286	
3	Industrial Transition	1,326.347	442 430	24.029	
4	Commercial Transition (includes WR rate and Special Contracts)	9,332.556	442440/500	165.513	
5	Street Light Transition	145.623	444 060	2.659	
6	Total Billed Revenues	15,059.190			\$ 268.487
7	<u>2003 Transition Unbilled Revenues:</u>			Value	
8	Less: Residential Transition Unbilled @ 12/31/02	(119.482)			
9	Plus: Residential Transition Unbilled @ 12/31/03	142.891	440 162	\$ 0.722	
10	Less: Industrial Transition Unbilled @ 12/31/02	(65.129)			
11	Plus: Industrial Transition Unbilled @ 12/31/03	49.270	442 435	(0.131)	
12	Less: Commercial Transition Unbilled @ 12/31/02	(283.945)			
13	Plus: Commercial Transition Unbilled @ 12/31/03	323.822	442 505	1.037	
14	Total Unbilled Revenues	47.427			\$ 1.628
15	Total 2003 Transition Revenues	15,106.617	1.788		\$ 270.115

Boston Edison Company
Summary of Transition Charge - Fixed Component
\$ in Millions

Year	Securitization Principal	Amort.	Interest & Expense	Total
Col. A	Col. B	Col. C	Col. D	Col. E
				(Col. C + Col. D)
2003	425.378	68.188	32.519	100.707
2004	356.666	68.712	28.007	96.719
2005	288.206	68.460	23.412	91.872
2006	219.664	68.542	18.680	87.222
2007	151.268	68.396	13.943	82.339
2008	82.660	68.608	9.148	77.756
2009	14.159	68.501	4.332	72.833
2010	-	14.159	1.016	15.174

Boston Edison Company
Summary of Transition Charge - Variable Component
\$ in Millions

Year	Actual Nuclear Decomm.	Actual Power Total Obligations	Actual Power Contracts Market Value	Net Power Obligation	Actual Transmission in Support of Remote Generating Units	Actual Purchased Power Contract Buyouts	Future Use	Revenue Credits & Damages, Costs, or net Recoveries	Other	Rate Design Adjustment	Reversal of Prior Year Rate Design Adjustment	Actual Total Variable Component
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003	-	350.985	209.216	141.769	-	-	-	44.158	-	(4.390)	0.539	182.077
2004	-	378.056	162.449	215.607	-	-	-	28.074	-	(4.687)	4.390	243.384
2005	-	300.606	124.534	176.072	-	-	-	43.114	-		4.687	223.874
2006	-	304.894	117.164	187.730	-	-	-	44.370	-			232.100
2007	-	301.494	105.402	196.092	-	-	-	40.080	-			236.172
2008	-	301.247	108.401	192.846	-	-	-	0.780	-			193.626
2009	-	303.847	104.130	199.718	-	-	-	0.780	-			200.498
2010	-	314.361	109.048	205.313	-	-	-	0.780	-			206.093
2011	-	245.801	96.965	148.836	-	-	-	0.780	-			149.616
2012	-	159.976	69.028	90.948	-	-	-	0.390	-			91.338
2013	-	161.998	71.574	90.424	-	-	-	-	-			90.424
2014	-	86.985	55.961	31.023	-	-	-	-	-			31.023
2015	-	86.608	57.496	29.112	-	-	-	-	-			29.112
2016	-	62.979	42.349	20.630	-	-	-	-	-			20.630

Note	Description
Col. C	Exh NSTAR-BEC-GOL-3, Pg 6, Col O
Col. D	Exh NSTAR-BEC-GOL-3, Pg 7, Col P
Col. E	Col C - Col D
Col. G	No Current Buyouts
Col. I	per D.T.E. 03-117A Exhibit BEC-JFL-2 (Supp)
Col. K	per D.T.E. 03-117A Exhibit BEC-HCL-6
Col. L	Reversal of Prior Year Col. K
Col. M	Col B + Col E + Col F + Col G + Col H + Col I + Col J + Col K + Col L

Boston Edison Company
Summary of Transition Charge - Incentive
\$ in Millions

Year	Base Transition Charge (cents/kWh)	Cumulative Rolling Average Transition Charge (cents/kWh)	Cumulative Bonus Allowed	Nominal Annual Incremental Bonus Required	Impact on Transition Charge
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
2003	1.788	2.04	58.187	10.644	0.07
2004	1.870	2.01	63.538	8.375	0.06
2005	2.331	2.05	65.163	2.712	0.02
2006	2.046	2.05	67.677	4.472	0.03
2007	1.997	2.05	69.678	3.797	0.02
2008	1.682	2.01	72.376	5.456	0.03
2009	1.648	1.98	73.981	3.458	0.02

Legend:

Col. B Exh. NSTAR-BEC-GOL-3, Page 1, Col. C
Col. C Cumulative average of current & prior years shown in Col. B
Col. D For any given year based upon cumulative average transition charge, interpolate bonus from the table below:
Col. E $(\text{Col. D current year} - \text{Col. D prior year}) * (1 + \text{WACC AT})^n$,
where n = number of years since 1998 +1, and WACC AT is the weighted cost of capital after-tax equal to 6.61%
Col. F Col. E / Current year GWH sales, Page 1 Col. B

Assumptions:

1998 \$ NPV Cumulative Bonus/(Penalty)

Rolling Average Access Charge

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1.00	\$ 21	\$ 38	\$ 52	\$ 63	\$ 72	\$ 80	\$ 85	\$ 90	\$ 93	\$ 96	\$ 97	\$ 98
1.20	20	36	49	60	68	76	81	86	89	91	92	93
1.40	19	34	47	57	65	72	77	81	84	86	88	88
1.60	18	32	44	53	61	68	73	77	79	81	83	83
1.80	17	31	41	50	58	64	68	72	75	77	78	78
2.00	16	29	39	47	54	60	64	68	70	72	73	74
2.20	14	25	34	41	47	52	56	59	61	62	63	64
2.40	12	21	29	35	40	44	47	50	51	53	54	54
2.60	10	17	23	28	33	36	39	41	42	43	44	44
2.80	8	13	18	22	25	28	30	32	33	34	34	34
3.00	5	10	13	16	18	20	22	23	24	24	25	25
3.20	3	6	8	10	11	12	13	14	14	15	15	15
3.40	1	2	3	3	4	4	4	5	5	5	5	5
3.50	0	0	0	0	0	0	0	0	0	0	0	0

**Boston Edison Company
Power Contract Obligations
Annual Total Cost - Capacity & Energy (\$ in Millions)**

<u>Year</u>	<u>OSP 1</u>	<u>OSP 2</u>	<u>NEA 1</u>	<u>NEA 2</u>	<u>Masspower</u>	<u>MBTA Jets 1</u>	<u>MBTA Jets 2</u>	<u>Entergy Nuclear</u>	<u>HQ 1</u>	<u>HQ 2</u>	<u>HQ Line Usage</u>	<u>Conn Yankee</u>	<u>MA Yankee</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O
Jan - Mar														
Apr - May														
Jun - Dec														
2004														
Jan - Feb														
Mar														
Apr - Dec														
2005														
2006														
2007														
2008														
2009														
2010														
2011														
2012														
2013														
2014														
2015														
2016														

REDACTED

Note:

Col. B through Col. I are updated from Exhibit BEC-JFL-6 (Supp) in D.T.E. 03-117A with latest forecast from CEA

**Boston Edison Company
Power Contract Obligations
Annual Market Value (\$ in Millions)**

Year	OSP 1	OSP 2	NEA 1	NEA 2	Masspower	MBTA Jets 1	MBTA Jets 2	Entergy Nuclear	HQ 1	HQ 2	HQ Line Usage	Conn Yankee	MA Yankee	Standard Offer Settlement Adjustment	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar															
Apr - May															
Jun - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															

REDACTED

Notes:

Col. B through Col. I are updated from Exhibit BEC-JFL-1 (Supp) in D.T.E. 03-117A with the latest forecast from CEA
Col. P is taken from Exhibit NSTAR-BEC-GOL-5 Page 2 Line 13 for the three time periods in 2004
Col. P is taken from Exhibit NSTAR-BEC-GOL-7 Page 2 Line 13 for the period Jan - Feb 2005
Col. O is the difference between Col. P and the sum of Cols. B through N

**Boston Edison Company
Power Contract Obligations
Annual Above Market Cost (\$ in Millions)**

Year	OSP 1	OSP 2	NEA 1	NEA 2	Masspower	MBTA Jets 1	MBTA Jets 2	Entergy Nuclear	HQ 1	HQ 2	HQ Line Usage	Conn Yankee	MA Yankee	Standard Offer Settlement Adjustment	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar															
Apr - May															
Jun - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															

REDACTED

Notes:

Col. B through Col. I are updated from Exhibit BEC-JFL-1 (Supp) in D.T.E. 03-117A with the latest forecast from CEA

Col. J through Col. N are as filed in Exhibit BEC-JFL-1 (Supp) in D.T.E. 03-117A

Col. O = - Page 7 Col. O

Col. P = sum of Cols. B through O

Boston Edison Company
Transition Charge Calculation
\$ in Millions

Year	GWH Delivered	Transition Charge	Revenues for Delivered GWH	Fixed Component	Total Variable Component	Mitigation Incentive	Prior Year Deferral	Interest on Deferral	Expenses	(Over) Under Collection
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K
2002										\$ (41.439)
2003	15,107	1.788	270.115	\$ 100.707	\$ 182.077	\$ 10.644	\$ (41.439)	\$ (4.509)	\$ 247.481	\$ (22.634)
2004	15,210	1.870	284.420	96.719	249.893	8.375	(22.634)	(2.463)	329.890	45.469
2005	15,514	2.351	364.681	91.872	219.864	2.529	45.469	4.947	364.681	-
2006	15,824	2.012	318.338	87.222	226.311	4.805	-	-	318.338	-
2007	16,141	1.975	318.811	82.339	232.490	3.982	-	-	318.811	-
2008	16,463	1.681	276.669	77.756	193.475	5.438	-	-	276.669	-
2009	16,793	1.638	275.101	72.833	198.958	3.310	-	-	275.101	-
2010	17,129	1.256	215.186	15.174	200.012	-	-	-	215.186	-
2011	17,471	0.843	147.297	-	147.297	-	-	-	147.297	-
2012	17,821	0.513	91.338	-	91.338	-	-	-	91.338	-
2013	18,177	0.497	90.424	-	90.424	-	-	-	90.424	-
2014	18,540	0.167	31.023	-	31.023	-	-	-	31.023	-
2015	18,911	0.154	29.112	-	29.112	-	-	-	29.112	-
2016	19,290	0.107	20.630	-	20.630	-	-	-	20.630	-

Col B 2003 per Page 2; Forecast 2004 sales; years beyond 2004 reflect 2% growth
Col C 2003 per Page 2; 2004 reflects actual tariff in effect; 2005 and later: Col J / Col B
Col D 2003 per Page 2; 2004 Col B * Col C / 100; future years equal to Col J
Col E Exh NSTAR-BEC-GOL-4, Pg 3, Col E
Col F Exh NSTAR-BEC-GOL-4, Pg 4, Col M
Col G Exh NSTAR-BEC-GOL-4, Pg 5, Col E
Col H Col. K prior year
Col I Col. H times 10.88%
Col J Sum Col E thru Col I
Col K Col J - Col D

Boston Edison Company
Actual 2003 Transition Revenues
\$ in Millions

Line	Description	GWH	A/C #	Per Book \$	Total
1	<u>2003 Transition Billed Revenues:</u>				
2	Residential Transition	4,254.664	440 160	\$ 76.286	
3	Industrial Transition	1,326.347	442 430	24.029	
4	Commercial Transition (includes WR rate and Special Contracts)	9,332.556	442440/500	165.513	
5	Street Light Transition	145.623	444 060	2.659	
6	Total Billed Revenues	15,059.190			\$ 268.487
7	<u>2003 Transition Unbilled Revenues:</u>			Value	
8	Less: Residential Transition Unbilled @ 12/31/02	(119.482)			
9	Plus: Residential Transition Unbilled @ 12/31/03	142.891	440 162	\$ 0.722	
10	Less: Industrial Transition Unbilled @ 12/31/02	(65.129)			
11	Plus: Industrial Transition Unbilled @ 12/31/03	49.270	442 435	(0.131)	
12	Less: Commercial Transition Unbilled @ 12/31/02	(283.945)			
13	Plus: Commercial Transition Unbilled @ 12/31/03	323.822	442 505	1.037	
14	Total Unbilled Revenues	47.427			\$ 1.628
15	Total 2003 Transition Revenues	15,106.617	1.788		\$ 270.115

Boston Edison Company
Summary of Transition Charge - Fixed Component
\$ in Millions

Year	Securitization Principal	Amort.	Interest & Expense	Total
Col. A	Col. B	Col. C	Col. D	Col. E
				(Col. C + Col. D)
2003	425.378	68.188	32.519	100.707
2004	356.666	68.712	28.007	96.719
2005	288.206	68.460	23.412	91.872
2006	219.664	68.542	18.680	87.222
2007	151.268	68.396	13.943	82.339
2008	82.660	68.608	9.148	77.756
2009	14.159	68.501	4.332	72.833
2010	-	14.159	1.016	15.174

Boston Edison Company
Summary of Transition Charge - Variable Component
\$ in Millions

Year	Actual Nuclear Decomm.	Actual Power Total Obligations	Actual Power Contracts Market Value	Net Power Obligation	Actual Transmission in Support of Remote Generating Units	Actual Purchased Power Contract Buyouts	Future Use	Revenue Credits & Damages, Costs, or net Recoveries	Other	Rate Design Adjustment	Reversal of Prior Year Rate Design Adjustment	Actual Total Variable Component
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003	-	350.985	209.216	141.769	-	-	-	44.158	-	(4.390)	0.539	182.077
2004	-	379.952	157.836	222.116	-	-	-	28.074	-	(4.687)	4.390	249.893
2005	-	280.242	108.179	172.062	-	-	-	43.114	-	-	4.687	219.864
2006	-	285.047	103.106	181.941	-	-	-	44.370	-	-	-	226.311
2007	-	284.671	92.261	192.410	-	-	-	40.080	-	-	-	232.490
2008	-	287.538	94.843	192.695	-	-	-	0.780	-	-	-	193.475
2009	-	288.344	90.166	198.178	-	-	-	0.780	-	-	-	198.958
2010	-	293.657	94.425	199.232	-	-	-	0.780	-	-	-	200.012
2011	-	237.790	91.272	146.517	-	-	-	0.780	-	-	-	147.297
2012	-	159.976	69.028	90.948	-	-	-	0.390	-	-	-	91.338
2013	-	161.998	71.574	90.424	-	-	-	-	-	-	-	90.424
2014	-	86.985	55.961	31.023	-	-	-	-	-	-	-	31.023
2015	-	86.608	57.496	29.112	-	-	-	-	-	-	-	29.112
2016	-	62.979	42.349	20.630	-	-	-	-	-	-	-	20.630

Note	Description
Col. C	Exh NSTAR-BEC-GOL-4, Pg 6, Col O
Col. D	Exh NSTAR-BEC-GOL-4, Pg 7, Col P
Col. E	Col C - Col D
Col. G	No Current Buyouts
Col. I	per D.T.E. 03-117A Exhibit BEC-JFL-2 (Supp)
Col. K	per D.T.E. 03-117A Exhibit BEC-HCL-6
Col. L	Reversal of Prior Year Col. K
Col. M	Col B + Col E + Col F + Col G + Col H + Col I + Col J + Col K + Col L

Boston Edison Company
Summary of Transition Charge - Incentive
\$ in Millions

Year	Base Transition Charge (cents/kWh)	Cumulative Rolling Average Transition Charge (cents/kWh)	Cumulative Bonus Allowed	Nominal Annual Incremental Bonus Required	Impact on Transition Charge
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
2003	1.788	2.04	58.187	10.644	0.07
2004	1.870	2.01	63.538	8.375	0.06
2005	2.351	2.06	65.053	2.529	0.02
2006	2.012	2.05	67.754	4.805	0.03
2007	1.975	2.04	69.853	3.982	0.02
2008	1.681	2.01	72.543	5.438	0.03
2009	1.638	1.98	74.078	3.310	0.02

Legend:

Col. B Exh. NSTAR-BEC-GOL-4, Page 1, Col. C
Col. C Cumulative average of current & prior years shown in Col. B
Col. D For any given year based upon cumulative average transition charge, interpolate bonus from the table below:
Col. E $(\text{Col. D current year} - \text{Col. D prior year}) * (1 + \text{WACC AT})^n$, where n = number of years since 1998 +1, and WACC AT is the weighted cost of capital after-tax equal to 6.61%
Col. F Col. E / Current year GWH sales, Page 1 Col. B

Assumptions:

1998 \$ NPV Cumulative Bonus/(Penalty)

Rolling Average Access Charge

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1.00	\$ 21	\$ 38	\$ 52	\$ 63	\$ 72	\$ 80	\$ 85	\$ 90	\$ 93	\$ 96	\$ 97	\$ 98
1.20	20	36	49	60	68	76	81	86	89	91	92	93
1.40	19	34	47	57	65	72	77	81	84	86	88	88
1.60	18	32	44	53	61	68	73	77	79	81	83	83
1.80	17	31	41	50	58	64	68	72	75	77	78	78
2.00	16	29	39	47	54	60	64	68	70	72	73	74
2.20	14	25	34	41	47	52	56	59	61	62	63	64
2.40	12	21	29	35	40	44	47	50	51	53	54	54
2.60	10	17	23	28	33	36	39	41	42	43	44	44
2.80	8	13	18	22	25	28	30	32	33	34	34	34
3.00	5	10	13	16	18	20	22	23	24	24	25	25
3.20	3	6	8	10	11	12	13	14	14	15	15	15
3.40	1	2	3	3	4	4	4	5	5	5	5	5
3.50	0	0	0	0	0	0	0	0	0	0	0	0

**Boston Edison Company
Power Contract Obligations
Annual Total Cost - Capacity & Energy (\$ in Millions)**

<u>Year</u>	<u>OSP 1</u>	<u>OSP 2</u>	<u>NEA 1</u>	<u>NEA 2</u>	<u>Masspower</u>	<u>MBTA Jets 1</u>	<u>MBTA Jets 2</u>	<u>Entergy Nuclear</u>	<u>HQ 1</u>	<u>HQ 2</u>	<u>HQ Line Usage</u>	<u>Conn Yankee</u>	<u>MA Yankee</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O
Jan - Mar	REDACTED													
Apr - May														
Jun - Dec														
2004														
Jan - Feb														
Mar														
Apr - Dec														
2005														
2006														
2007														
2008														
2009														
2010														
2011														
2012														
2013														
2014														
2015														
2016														

**Boston Edison Company
Power Contract Obligations
Annual Market Value (\$ in Millions)**

<u>Year</u>	<u>OSP 1</u>	<u>OSP 2</u>	<u>NEA 1</u>	<u>NEA 2</u>	<u>Masspower</u>	<u>MBTA Jets 1</u>	<u>MBTA Jets 2</u>	<u>Entergy Nuclear</u>	<u>HQ 1</u>	<u>HQ 2</u>	<u>HQ Line Usage</u>	<u>Conn Yankee</u>	<u>MA Yankee</u>	<u>Standard Offer Settlement Adjustment</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar	REDACTED														
Apr - May															
Jun - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															

**Boston Edison Company
Power Contract Obligations
Annual Above Market Cost (\$ in Millions)**

<u>Year</u>	<u>OSP 1</u>	<u>OSP 2</u>	<u>NEA 1</u>	<u>NEA 2</u>	<u>Masspower</u>	<u>MBTA Jets 1</u>	<u>MBTA Jets 2</u>	<u>Entergy Nuclear</u>	<u>HQ 1</u>	<u>HQ 2</u>	<u>HQ Line Usage</u>	<u>Conn Yankee</u>	<u>MA Yankee</u>	<u>Standard Offer Settlement Adjustment</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar	REDACTED														
Apr - May															
Jun - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															

Boston Edison Company
Monthly Standard Offer Deferral
\$ in Millions

Line	Description	Dec-03	Actual Jan-04	Actual Feb-04	Actual Mar-04	Actual Apr-04	Actual May-04	Estimate Jun-04	Estimate Jul-04	Estimate Aug-04	Estimate Sep-04	Estimate Oct-04	Estimate Nov-04	Estimate Dec-04	Total	Subtotal: Jan - Mar	Subtotal: Apr - May	Subtotal: Jun - Dec
1	Standard Offer Revenues [page 5, line 6]		\$ (32.492)	\$ (32.454)	\$ (28.300)	\$ (27.863)	\$ (24.804)	\$ (26.988)	\$ (30.263)	\$ (32.004)	\$ (29.884)	\$ (27.234)	\$ (26.871)	\$ (27.129)	\$ (346.286)	(93.246)	(52.667)	(200.373)
2	Standard Offer Expense [line 12]		<u>32.492</u>	<u>32.454</u>	<u>28.300</u>	<u>27.863</u>	<u>24.804</u>	<u>26.988</u>	<u>30.263</u>	<u>32.004</u>	<u>29.884</u>	<u>27.234</u>	<u>26.871</u>	<u>27.129</u>	<u>346.286</u>	<u>93.246</u>	<u>52.667</u>	<u>200.373</u>
3	Standard Offer Deferral (Over) / Under Recovery		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Interest on SO Deferral Balance [Note]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	SO Deferral (Over) / Under Ending Balance	\$ -	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
6	Standard Offer Expense Detail																	
7	NUG Purchases [page 2, line 13]		\$ 12.651	\$ 16.828	\$ 11.449	\$ 18.372	\$ 11.794	\$ 3.030	\$ 12.030	\$ 13.846	\$ 17.880	\$ 16.650	\$ 14.658	\$ 13.261	\$ 162.449	\$ 40.929	\$ 30.166	\$ 91.355
8	Short Term Market Transactions [page 4, line 6]		<u>21.004</u>	<u>16.901</u>	<u>18.150</u>	<u>10.614</u>	<u>14.173</u>	<u>24.983</u>	<u>19.256</u>	<u>19.307</u>	<u>13.205</u>	<u>11.627</u>	<u>13.129</u>	<u>14.603</u>	<u>196.954</u>	<u>56.055</u>	<u>24.787</u>	<u>116.112</u>
9	Subtotal [line 7 + line 8]		33.655	33.729	29.599	28.986	25.967	28.014	31.286	33.153	31.085	28.277	27.787	27.864	359.403	96.984	54.953	207.466
10	Wholesale % [page 6, line 7]		3.58%	3.93%	4.59%	4.03%	4.69%	3.80%	3.38%	3.59%	4.02%	3.83%	3.41%	2.71%				
11	Wholesale Cost [line 9 * line 10]		<u>1.163</u>	<u>1.275</u>	<u>1.299</u>	<u>1.123</u>	<u>1.163</u>	<u>1.026</u>	<u>1.023</u>	<u>1.149</u>	<u>1.201</u>	<u>1.043</u>	<u>0.916</u>	<u>0.735</u>	<u>13.117</u>	<u>3.738</u>	<u>2.286</u>	<u>7.093</u>
12	Standard Offer Expense [line 9 - line 11]		<u>\$ 32.492</u>	<u>\$ 32.454</u>	<u>\$ 28.300</u>	<u>\$ 27.863</u>	<u>\$ 24.804</u>	<u>\$ 26.988</u>	<u>\$ 30.263</u>	<u>\$ 32.004</u>	<u>\$ 29.884</u>	<u>\$ 27.234</u>	<u>\$ 26.871</u>	<u>\$ 27.129</u>	<u>\$ 346.286</u>	<u>\$ 93.246</u>	<u>\$ 52.667</u>	<u>\$ 200.373</u>
	Annual Interest Rate		1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%				

Note:

The transfer prices of the value of the NUGs is taken from line 7 and appears in GOL-3 page 14 in column E in the appropriate time period.

Jan - Mar \$ 40.929

Apr - May \$ 30.166

Jun - Dec \$ 91.355

**Boston Edison Company
Monthly NUG Generation
GWH**

<u>Line</u>	<u>Description</u>	<u>Actual Jan-04</u>	<u>Actual Feb-04</u>	<u>Actual Mar-04</u>	<u>Actual Apr-04</u>	<u>Actual May-04</u>	<u>Estimate Jun-04</u>	<u>Estimate Jul-04</u>	<u>Estimate Aug-04</u>	<u>Estimate Sep-04</u>	<u>Estimate Oct-04</u>	<u>Estimate Nov-04</u>	<u>Estimate Dec-04</u>	<u>Total</u>	<u>Subtotal: Jan - Mar</u>	<u>Subtotal: Apr - May</u>	<u>Subtotal: Jun - Dec</u>
1	Masspower																
2	Entergy Nuclear																
3	MBTA Jets 1																
4	MBTA Jets 2																
5	NEA 1																
6	NEA 2																
7	Ocean State 1																
8	Ocean State 2																
9	OSP Replacement Power																
10	NUGs Generation																
11	Less: Assumed Line Losses @	6.86%															
12	Net GWH Delivered																
13	Dist Co Settlement Price																
14	Cost of NUG Purchases																

REDACTED

Boston Edison Company
Total NUG Cost
\$ in Millions

REDACTED

<u>Line</u>	<u>Description</u>	<u>Actual</u> <u>Jan-04</u>	<u>Actual</u> <u>Feb-04</u>	<u>Actual</u> <u>Mar-04</u>	<u>Actual</u> <u>Apr-04</u>	<u>Actual</u> <u>May-04</u>	<u>Estimate</u> <u>Jun-04</u>	<u>Estimate</u> <u>Jul-04</u>	<u>Estimate</u> <u>Aug-04</u>	<u>Estimate</u> <u>Sep-04</u>	<u>Estimate</u> <u>Oct-04</u>	<u>Estimate</u> <u>Nov-04</u>	<u>Estimate</u> <u>Dec-04</u>	<u>Total</u>	<u>Subtotal:</u> <u>Jan - Mar</u>	<u>Subtotal:</u> <u>Apr - May</u>	<u>Subtotal:</u> <u>Jun - Dec</u>
1	Masspower																
2	Entergy Nuclear																
3	MBTA Jets 1																
4	MBTA Jets 2																
5	NEA 1																
6	NEA 2																
7	Ocean State 1																
8	Ocean State 2																
9	Hydro Quebec 1																
10	Hydro Quebec 2																
11	HQ Energy Line Usage																
12	Connecticut Yankee																
13	Mass Yankee																
14	Total NUG Cost																

Boston Edison Company
Monthly Short Term Market Transactions
\$ in Millions

Line	Description	Account	Actual Jan-04	Actual Feb-04	Actual Mar-04	Actual Apr-04	Actual May-04	Estimate Jun-04	Estimate Jul-04	Estimate Aug-04	Estimate Sep-04	Estimate Oct-04	Estimate Nov-04	Estimate Dec-04	Total	Subtotal: Jan - Mar	Subtotal: Apr - May	Subtotal: Jun - Dec
	Cost																	
1	Short Term SO - Sales	447640	\$ (24.867)	\$ (19.464)	\$ (16.156)	\$ (18.258)	\$ (14.291)	\$ (17.531)	\$ (21.378)	\$ (21.288)	\$ (17.313)	\$ (17.422)	\$ (17.597)	\$ (18.344)	\$ (223.909)	\$ (60.487)	\$ (32.549)	\$ (130.873)
1a	Short Term SO - Sales (Gas Layoff)						0.793	11.893	0.793	0.793	0.793	0.793	0.793	0.793	17.446	-	0.793	16.653
2	Short Term SO - Energy	555010	45.206	35.724	33.656	28.226	27.022	29.957	39.178	39.139	29.061	27.593	29.270	31.490	395.522	114.586	55.248	225.688
3	Short Term SO - Capacity	555020	-	0.001	-	-	-	-	-	-	-	-	-	-	0.001	0.001	-	-
4	ISO - NE	555030	0.640	0.621	0.645	0.650	0.648	0.650	0.650	0.650	0.650	0.650	0.650	0.650	7.754	1.906	1.298	4.550
5	Miscellaneous Transmission	565260	0.025	0.019	0.005	(0.004)	0.001	0.014	0.013	0.013	0.014	0.013	0.013	0.014	0.140	0.049	(0.003)	0.094
6	SO Replacement Power		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Total ST Market Cost		<u>\$ 21.004</u>	<u>\$ 16.901</u>	<u>\$ 18.150</u>	<u>\$ 10.614</u>	<u>\$ 14.173</u>	<u>\$ 24.983</u>	<u>\$ 19.256</u>	<u>\$ 19.307</u>	<u>\$ 13.205</u>	<u>\$ 11.627</u>	<u>\$ 13.129</u>	<u>\$ 14.603</u>	<u>\$ 196.954</u>	<u>\$ 56.055</u>	<u>\$ 24.787</u>	<u>\$ 116.112</u>
8	GWH																	
9	Short Term SO - Sales		(475.358)	(372.439)	(368.849)	(435.829)	(362.730)	(436.097)	(449.598)	(449.598)	(436.097)	(449.598)	(436.097)	(449.598)	(5,121.888)	(1,216.646)	(798.559)	(3,106.683)
10																		
11	ST Sales Price/MWH							40.20	47.55	47.35	39.70	38.75	40.35	40.80				

Note

Short term SO sales on Line 1 are calculated using the Short Term SO GWH on Line 9 by the selling price on Line 11.

Boston Edison Company
Standard Offer Revenue
\$ in Millions

Line	Description	Account	Actual Jan-04	Actual Feb-04	Actual Mar-04	Actual Apr-04	Actual May-04	Estimate Jun-04	Estimate Jul-04	Estimate Aug-04	Estimate Sep-04	Estimate Oct-04	Estimate Nov-04	Estimate Dec-04	Total	Subtotal: Jan - Mar	Subtotal: Apr - May	Subtotal: Jun - Dec
1	Standard Offer Revenues																	
2	Residential	440170	\$ 14.042	\$ 13.968	\$ 11.180	\$ 11.252	\$ 9.374	\$ 6.797	\$ 8.550	\$ 9.258	\$ 8.257	\$ 7.417	\$ 7.786	\$ 8.372	\$ 116.253	\$ 39.190	\$ 20.626	\$ 56.437
3	Commercial	442450	15.967	16.285	14.651	14.299	13.299	17.386	18.677	19.786	18.574	17.159	16.430	16.277	198.790	46.903	27.598	124.289
4	Industrial	442460	1.974	1.747	2.031	1.912	1.774	2.579	2.804	2.719	2.790	2.368	2.342	2.145	27.185	5.752	3.686	17.747
5	Street Light	444070	0.509	0.454	0.438	0.400	0.357	0.226	0.232	0.241	0.263	0.290	0.313	0.335	4.058	1.401	0.757	1.900
6	Total Standard Offer Revenues		\$ 32.492	\$ 32.454	\$ 28.300	\$ 27.863	\$ 24.804	\$ 26.988	\$ 30.263	\$ 32.004	\$ 29.884	\$ 27.234	\$ 26.871	\$ 27.129	\$ 346.286	\$ 93.246	\$ 52.667	\$ 200.373
7	Standard Offer Price							\$ 0.05100	\$ 0.05100	\$ 0.05100	\$ 0.05100	\$ 0.05100	\$ 0.05100	\$ 0.05100				
8	SOSFA Price							\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
9																		
10	Standard Offer GWH Sales		646.596	636.840	555.017	546.460	486.415	529.177	593.408	627.518	585.967	534.010	526.902	531.952	6,800.262	1,838.453	1,032.875	3,928.934

Boston Edison Company
Monthly Wholesale GWH Sales, Wholesale Sales as Percentage of Sales

Line	Wholesale Customer	Actual Jan-04	Actual Feb-04	Actual Mar-04	Actual Apr-04	Actual May-04	Estimate Jun-04	Estimate Jul-04	Estimate Aug-04	Estimate Sep-04	Estimate Oct-04	Estimate Nov-04	Estimate Dec-04	Total	Subtotal: Jan - Mar	Subtotal: Apr - May	Subtotal: Jun - Dec
1	Braintree	8.541	9.206	9.693	9.273	9.087	7.197	7.409	7.990	11.921	8.160	-	-	88.477	27.440	18.360	42.677
2	MassPort	15.441	16.815	17.005	13.679	14.873	13.681	13.343	15.397	12.623	13.112	18.615	14.808	179.392	49.261	28.552	101.579
3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Total Wholesale Sales	23.982	26.021	26.698	22.952	23.960	20.878	20.752	23.387	24.544	21.272	18.615	14.808	267.869	76.701	46.912	144.256
5	Retail Sales - SO	<u>646.596</u>	<u>636.840</u>	<u>555.017</u>	<u>546.460</u>	<u>486.415</u>	<u>529.177</u>	<u>593.408</u>	<u>627.518</u>	<u>585.967</u>	<u>534.010</u>	<u>526.902</u>	<u>531.952</u>	<u>6,800.262</u>	<u>1,838.453</u>	<u>1,032.875</u>	<u>3,928.934</u>
6	Total Sales (Whsle + SO)	<u>670.578</u>	<u>662.861</u>	<u>581.715</u>	<u>569.412</u>	<u>510.375</u>	<u>550.055</u>	<u>614.160</u>	<u>650.905</u>	<u>610.511</u>	<u>555.282</u>	<u>545.517</u>	<u>546.760</u>	<u>7,068.131</u>	<u>1,915.154</u>	<u>1,079.787</u>	<u>4,073.190</u>
7	Wholesale % (Line 4 / line 6)	3.58%	3.93%	4.59%	4.03%	4.69%	3.80%	3.38%	3.59%	4.02%	3.83%	3.41%	2.71%				

Boston Edison Company
Monthly Standard Offer Deferral
\$ in Millions

Line	Description	Dec-03	Actual Jan-04	Actual Feb-04	Actual Mar-04	Actual Apr-04	Actual May-04	Estimate Jun-04	Estimate Jul-04	Estimate Aug-04	Estimate Sep-04	Estimate Oct-04	Estimate Nov-04	Estimate Dec-04	Total	Subtotal: Jan - Mar	Subtotal: Apr - May	Subtotal: Jun - Dec
1	Standard Offer Revenues [page 5, line 6]		\$ (32.492)	\$ (32.454)	\$ (28.300)	\$ (27.863)	\$ (24.804)	\$ (26.988)	\$ (30.263)	\$ (32.004)	\$ (29.884)	\$ (27.234)	\$ (26.871)	\$ (27.129)	\$ (346.286)	(93.246)	(52.667)	(200.373)
2	Standard Offer Expense [line 12]		<u>32.492</u>	<u>32.454</u>	<u>28.300</u>	<u>27.863</u>	<u>24.804</u>	<u>26.988</u>	<u>30.263</u>	<u>32.004</u>	<u>29.884</u>	<u>27.234</u>	<u>26.871</u>	<u>27.129</u>	<u>346.286</u>	<u>93.246</u>	<u>52.667</u>	<u>200.373</u>
3	Standard Offer Deferral (Over) / Under Recovery		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Interest on SO Deferral Balance [Note]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	SO Deferral (Over) / Under Ending Balance	\$ -	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
6	Standard Offer Expense Detail																	
7	NUG Purchases [page 2, line 13]		\$ 12.651	\$ 16.828	\$ 11.449	\$ 18.372	\$ 11.794	\$ 3.030	\$ 10.812	\$ 13.111	\$ 17.119	\$ 15.992	\$ 14.086	\$ 12.592	\$ 157.836	\$ 40.929	\$ 30.166	\$ 86.742
8	Short Term Market Transactions [page 4, line 6]		<u>21.004</u>	<u>16.901</u>	<u>18.150</u>	<u>10.614</u>	<u>14.173</u>	<u>24.983</u>	<u>20.474</u>	<u>20.042</u>	<u>13.967</u>	<u>12.285</u>	<u>13.701</u>	<u>15.272</u>	<u>201.567</u>	<u>56.055</u>	<u>24.787</u>	<u>120.725</u>
9	Subtotal [line 7 + line 8]		33.655	33.729	29.599	28.986	25.967	28.014	31.286	33.153	31.085	28.277	27.787	27.864	359.403	96.984	54.953	207.466
10	Wholesale % [page 6, line 7]		3.58%	3.93%	4.59%	4.03%	4.69%	3.80%	3.38%	3.59%	4.02%	3.83%	3.41%	2.71%				
11	Wholesale Cost [line 9 * line 10]		<u>1.163</u>	<u>1.275</u>	<u>1.299</u>	<u>1.123</u>	<u>1.163</u>	<u>1.026</u>	<u>1.023</u>	<u>1.149</u>	<u>1.201</u>	<u>1.043</u>	<u>0.916</u>	<u>0.735</u>	<u>13.117</u>	<u>3.738</u>	<u>2.286</u>	<u>7.093</u>
12	Standard Offer Expense [line 9 - line 11]		<u>\$ 32.492</u>	<u>\$ 32.454</u>	<u>\$ 28.300</u>	<u>\$ 27.863</u>	<u>\$ 24.804</u>	<u>\$ 26.988</u>	<u>\$ 30.263</u>	<u>\$ 32.004</u>	<u>\$ 29.884</u>	<u>\$ 27.234</u>	<u>\$ 26.871</u>	<u>\$ 27.129</u>	<u>\$ 346.286</u>	<u>\$ 93.246</u>	<u>\$ 52.667</u>	<u>\$ 200.373</u>
	Annual Interest Rate		1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%				

**Boston Edison Company
Monthly NUG Generation
GWH**

<u>Line</u>	<u>Description</u>	<u>Actual Jan-04</u>	<u>Actual Feb-04</u>	<u>Actual Mar-04</u>	<u>Actual Apr-04</u>	<u>Actual May-04</u>	<u>Estimate Jun-04</u>	<u>Estimate Jul-04</u>	<u>Estimate Aug-04</u>	<u>Estimate Sep-04</u>	<u>Estimate Oct-04</u>	<u>Estimate Nov-04</u>	<u>Estimate Dec-04</u>	<u>Total</u>	<u>Subtotal: Jan - Mar</u>	<u>Subtotal: Apr - May</u>	<u>Subtotal: Jun - Dec</u>
1	Masspower																
2	Entergy Nuclear																
3	MBTA Jets 1																
4	MBTA Jets 2																
5	NEA 1																
6	NEA 2																
7	Ocean State 1																
8	Ocean State 2																
9	OSP Replacement Power																
10	NUGs Generation																
11	Less: Assumed Line Losses @	6.86%															
12	Net GWH Delivered																
13	Dist Co Settlement Price																
14	Cost of NUG Purchases																

REDACTED

Boston Edison Company
Total NUG Cost
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Actual</u> <u>Jan-04</u>	<u>Actual</u> <u>Feb-04</u>	<u>Actual</u> <u>Mar-04</u>	<u>Actual</u> <u>Apr-04</u>	<u>Actual</u> <u>May-04</u>	<u>Estimate</u> <u>Jun-04</u>	<u>Estimate</u> <u>Jul-04</u>	<u>Estimate</u> <u>Aug-04</u>	<u>Estimate</u> <u>Sep-04</u>	<u>Estimate</u> <u>Oct-04</u>	<u>Estimate</u> <u>Nov-04</u>	<u>Estimate</u> <u>Dec-04</u>	<u>Total</u>	<u>Subtotal:</u> <u>Jan - Mar</u>	<u>Subtotal:</u> <u>Apr - May</u>	<u>Subtotal:</u> <u>Jun - Dec</u>
1	Masspower																
2	Entergy Nuclear																
3	MBTA Jets 1																
4	MBTA Jets 2																
5	NEA 1																
6	NEA 2																
7	Ocean State 1																
8	Ocean State 2																
9	Hydro Quebec 1																
10	Hydro Quebec 2																
11	HQ Energy Line Usage																
12	Connecticut Yankee																
13	Mass Yankee																
14	Total NUG Cost																

REDACTED

Boston Edison Company
Monthly Short Term Market Transactions
\$ in Millions

Line	Description	Account	Actual Jan-04	Actual Feb-04	Actual Mar-04	Actual Apr-04	Actual May-04	Estimate Jun-04	Estimate Jul-04	Estimate Aug-04	Estimate Sep-04	Estimate Oct-04	Estimate Nov-04	Estimate Dec-04	Total	Subtotal: Jan - Mar	Subtotal: Apr - May	Subtotal: Jun - Dec
	Cost																	
1	Short Term SO - Sales	447640	\$ (24.867)	\$ (19.464)	\$ (16.156)	\$ (18.258)	\$ (14.291)	\$ (17.531)	\$ (22.111)	\$ (22.018)	\$ (17.865)	\$ (18.019)	\$ (18.158)	\$ (18.972)	\$ (227.710)	\$ (60.487)	\$ (32.549)	\$ (134.674)
1a	Short Term SO - Sales (Gas Layoff)		-	-	-	-	0.793	11.893	-	-	-	-	-	-	12.687	-	0.793	11.893
2	Short Term SO - Energy	555010	45.206	35.724	33.656	28.226	27.022	29.957	39.178	39.139	29.061	27.593	29.270	31.490	395.522	114.586	55.248	225.688
3	Short Term SO - Capacity	555020	-	0.001	-	-	-	-	-	-	-	-	-	-	0.001	0.001	-	-
4	ISO - NE	555030	0.640	0.621	0.645	0.650	0.648	0.650	0.650	0.650	0.650	0.650	0.650	0.650	7.754	1.906	1.298	4.550
5	Miscellaneous Transmission	565260	0.025	0.019	0.005	(0.004)	0.001	0.014	0.013	0.013	0.014	0.013	0.013	0.014	0.140	0.049	(0.003)	0.094
6	OSP Replacement Power Cost		-	-	-	-	-	-	2.744	2.258	2.107	2.048	1.926	2.090	13.173	-	-	13.173
7	Total ST Market Cost		<u>\$ 21.004</u>	<u>\$ 16.901</u>	<u>\$ 18.150</u>	<u>\$ 10.614</u>	<u>\$ 14.173</u>	<u>\$ 24.983</u>	<u>\$ 20.474</u>	<u>\$ 20.042</u>	<u>\$ 13.967</u>	<u>\$ 12.285</u>	<u>\$ 13.701</u>	<u>\$ 15.272</u>	<u>\$ 201.567</u>	<u>\$ 56.055</u>	<u>\$ 24.787</u>	<u>\$ 120.725</u>
8	GWH																	
9	Short Term SO - Sales		(475.358)	(372.439)	(368.849)	(435.829)	(362.730)	(436.097)	(465.001)	(465.001)	(450.001)	(465.001)	(450.001)	(465.001)	(5,211.307)	(1,216.646)	(798.559)	(3,196.102)
10																		
11	ST Sales Price/MWH							40.20	47.55	47.35	39.70	38.75	40.35	40.80				

Note

Short term SO sales on Line 1 are calculated using the Short Term SO GWH on Line 9 by the selling price on Line 11.

Boston Edison Company
Standard Offer Revenue
\$ in Millions

Line	Description	Account	Actual Jan-04	Actual Feb-04	Actual Mar-04	Actual Apr-04	Actual May-04	Estimate Jun-04	Estimate Jul-04	Estimate Aug-04	Estimate Sep-04	Estimate Oct-04	Estimate Nov-04	Estimate Dec-04	Total	Subtotal: Jan - Mar	Subtotal: Apr - May	Subtotal: Jun - Dec
1	Standard Offer Revenues																	
2	Residential	440170	\$ 14.042	\$ 13.968	\$ 11.180	\$ 11.252	\$ 9.374	\$ 6.797	\$ 8.550	\$ 9.258	\$ 8.257	\$ 7.417	\$ 7.786	\$ 8.372	\$ 116.253	\$ 39.190	\$ 20.626	\$ 56.437
3	Commercial	442450	15.967	16.285	14.651	14.299	13.299	17.386	18.677	19.786	18.574	17.159	16.430	16.277	198.790	46.903	27.598	124.289
4	Industrial	442460	1.974	1.747	2.031	1.912	1.774	2.579	2.804	2.719	2.790	2.368	2.342	2.145	27.185	5.752	3.686	17.747
5	Street Light	444070	0.509	0.454	0.438	0.400	0.357	0.226	0.232	0.241	0.263	0.290	0.313	0.335	4.058	1.401	0.757	1.900
6	Total Standard Offer Revenues		<u>\$ 32.492</u>	<u>\$ 32.454</u>	<u>\$ 28.300</u>	<u>\$ 27.863</u>	<u>\$ 24.804</u>	<u>\$ 26.988</u>	<u>\$ 30.263</u>	<u>\$ 32.004</u>	<u>\$ 29.884</u>	<u>\$ 27.234</u>	<u>\$ 26.871</u>	<u>\$ 27.129</u>	<u>\$ 346.286</u>	<u>\$ 93.246</u>	<u>\$ 52.667</u>	<u>\$ 200.373</u>
7	Standard Offer Price							\$ 0.05100	\$ 0.05100	\$ 0.05100	\$ 0.05100	\$ 0.05100	\$ 0.05100	\$ 0.05100				
8	SOSFA Price							\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
9																		
10	Standard Offer GWH Sales		646.596	636.840	555.017	546.460	486.415	529.177	593.408	627.518	585.967	534.010	526.902	531.952	6,800.262	1,838.453	1,032.875	3,928.934

Boston Edison Company
Monthly Wholesale GWH Sales, Wholesale Sales as Percentage of Sales

Line	Wholesale Customer	Actual Jan-04	Actual Feb-04	Actual Mar-04	Actual Apr-04	Actual May-04	Estimate Jun-04	Estimate Jul-04	Estimate Aug-04	Estimate Sep-04	Estimate Oct-04	Estimate Nov-04	Estimate Dec-04	Total	Subtotal: Jan - Mar	Subtotal: Apr - May	Subtotal: Jun - Dec
1	Braintree	8.541	9.206	9.693	9.273	9.087	7.197	7.409	7.990	11.921	8.160	-	-	88.477	27.440	18.360	42.677
2	MassPort	15.441	16.815	17.005	13.679	14.873	13.681	13.343	15.397	12.623	13.112	18.615	14.808	179.392	49.261	28.552	101.579
3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Total Wholesale Sales	23.982	26.021	26.698	22.952	23.960	20.878	20.752	23.387	24.544	21.272	18.615	14.808	267.869	76.701	46.912	144.256
5	Retail Sales - SO	<u>646.596</u>	<u>636.840</u>	<u>555.017</u>	<u>546.460</u>	<u>486.415</u>	<u>529.177</u>	<u>593.408</u>	<u>627.518</u>	<u>585.967</u>	<u>534.010</u>	<u>526.902</u>	<u>531.952</u>	<u>6,800.262</u>	<u>1,838.453</u>	<u>1,032.875</u>	<u>3,928.934</u>
6	Total Sales (Whsle + SO)	<u>670.578</u>	<u>662.861</u>	<u>581.715</u>	<u>569.412</u>	<u>510.375</u>	<u>550.055</u>	<u>614.160</u>	<u>650.905</u>	<u>610.511</u>	<u>555.282</u>	<u>545.517</u>	<u>546.760</u>	<u>7,068.131</u>	<u>1,915.154</u>	<u>1,079.787</u>	<u>4,073.190</u>
7	Wholesale % (Line 4 / line 6)	3.58%	3.93%	4.59%	4.03%	4.69%	3.80%	3.38%	3.59%	4.02%	3.83%	3.41%	2.71%				

Boston Edison Company
Monthly Standard Offer Deferral
\$ in Millions

Line	Description	Dec-04	Forecast Jan-05	Forecast Feb-05	Total
1	Standard Offer Revenues [page 5, line 6]		\$ (34.403)	\$ (34.363)	\$ (68.766)
2	Standard Offer Expense [line 12]		<u>34.403</u>	<u>34.363</u>	<u>68.766</u>
3	Standard Offer Deferral (Over) / Under Recovery		-	-	-
4	Interest on SO Deferral Balance [Note]		-	-	-
5	SO Deferral (Over) / Under Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
6	<u>Standard Offer Expense Detail</u>				
7	NUG Purchases [page 2, line 13]		\$ 3.077	\$ 11.318	\$ 14.395
8	Short Term Market Transactions [page 4, line 6]		<u>32.128</u>	<u>23.928</u>	<u>56.056</u>
9	Subtotal [line 7 + line 8]		35.205	35.246	70.451
10	Wholesale % [page 6, line 7]		2.33%	2.57%	
11	Wholesale Cost [line 9 * line 10]		<u>0.802</u>	<u>0.883</u>	<u>1.685</u>
12	Standard Offer Expense [line 9 - line 11]		<u>\$ 34.403</u>	<u>\$ 34.363</u>	<u>\$ 68.766</u>
	Annual Interest Rate		1.65%	1.65%	

**Boston Edison Company
Monthly NUG Generation
GWH**

<u>Line</u>	<u>Description</u>	<u>Forecast Jan-05</u>	<u>Forecast Feb-05</u>	<u>Total</u>
1	Masspower			
2	Entergy Nuclear			
3	MBTA Jets 1			
4	MBTA Jets 2			
5	NEA 1			
6	NEA 2			
7	Ocean State 1			
8	Ocean State 2			
9	OSP Replacement Power			
10	NUGs Generation			
11	Less: Assumed Line Losses @	6.86%		
12	Net GWH Delivered			
13	Dist Co Settlement Price			
14	Cost of NUG Purchases			

REDACTED

Boston Edison Company
Total NUG Cost
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Forecast Jan-05</u>	<u>Forecast Feb-05</u>	<u>Total</u>
1	Masspower	REDACTED		
2	Entergy Nuclear			
3	MBTA Jets 1			
4	MBTA Jets 2			
5	NEA 1			
6	NEA 2			
7	Ocean State 1			
8	Ocean State 2			
9	Hydro Quebec 1			
10	Hydro Quebec 2			
11	HQ Energy Line Usage			
12	Connecticut Yankee			
13	Mass Yankee			
14	Total NUG Cost			

Boston Edison Company
Monthly Short Term Market Transactions
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Account</u>	<u>Forecast Jan-05</u>	<u>Forecast Feb-05</u>	<u>Total</u>
	<u>Cost</u>				
1	Short Term SO - Sales	447640	\$ (13.743)	\$ (12.437)	\$ (26.180)
2	Short Term SO - Energy	555010	45.206	35.724	80.930
3	Short Term SO - Capacity	555020	-	0.001	0.001
4	ISO - NE	555030	0.640	0.621	1.261
5	Miscellaneous Transmission	565260	0.025	0.019	0.044
6	OSP Replacement Power		-	-	-
7	Total ST Market Cost		<u>\$ 32.128</u>	<u>\$ 23.928</u>	<u>\$ 56.056</u>

Boston Edison Company
Standard Offer Revenue
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Account</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Total</u>
1	<u>Standard Offer Revenues</u>				
2	Residential	440170	\$ 14.868	\$ 14.790	\$ 29.658
3	Commercial	442450	\$ 16.906	\$ 17.243	34.149
4	Industrial	442460	\$ 2.090	\$ 1.850	3.940
5	Street Light	444070	\$ 0.539	\$ 0.481	<u>1.020</u>
6	Total Standard Offer Revenues		<u>\$ 34.403</u>	<u>\$ 34.363</u>	<u>\$ 68.766</u>
7	Standard Offer Price		<u>\$ 0.054</u>	<u>\$ 0.054</u>	
8	SOSFA Price				
9					
10	Standard Offer GWH Sales		646.596	636.840	1,283.436

Boston Edison Company
Monthly Wholesale GWH Sales, Wholesale Sales as Percentage of Sales

<u>Line</u>	<u>Wholesale Customer</u>	<u>Forecast</u>		<u>Total</u>
		<u>Jan-05</u>	<u>Feb-05</u>	
1	Braintree			-
2	MassPort	15.441	16.815	32.256
3	Other	-	-	-
4	Total Wholesale Sales	15.441	16.815	32.256
5	Retail Sales - SO	<u>646.596</u>	<u>636.840</u>	<u>1,283.436</u>
6	Total Sales (Whsle + SO)	<u>662.037</u>	<u>653.655</u>	<u>1,315.692</u>
7	Wholesale % (Line 4 / line 6)	2.33%	2.57%	

Boston Edison Company
Monthly Standard Offer Deferral
\$ in Millions

Line	Description	Dec-04	Forecast Jan-05	Forecast Feb-05	Total
1	Standard Offer Revenues [page 5, line 6]		\$ (34.403)	\$ (34.363)	\$ (68.766)
2	Standard Offer Expense [line 12]		<u>34.403</u>	<u>34.363</u>	<u>68.766</u>
3	Standard Offer Deferral (Over) / Under Recovery		-	-	-
4	Interest on SO Deferral Balance [Note]		-	-	-
5	SO Deferral (Over) / Under Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
6	<u>Standard Offer Expense Detail</u>				
7	NUG Purchases [page 2, line 13]		\$ 3.077	\$ 11.318	\$ 14.395
8	Short Term Market Transactions [page 4, line 6]		<u>32.128</u>	<u>23.928</u>	<u>56.056</u>
9	Subtotal [line 7 + line 8]		35.205	35.246	70.451
10	Wholesale % [page 6, line 7]		2.33%	2.57%	
11	Wholesale Cost [line 9 * line 10]		<u>0.802</u>	<u>0.883</u>	<u>1.685</u>
12	Standard Offer Expense [line 9 - line 11]		<u>\$ 34.403</u>	<u>\$ 34.363</u>	<u>\$ 68.766</u>
	Annual Interest Rate		1.65%	1.65%	

**Boston Edison Company
Monthly NUG Generation
GWH**

<u>Line</u>	<u>Description</u>	<u>Forecast Jan-05</u>	<u>Forecast Feb-05</u>	<u>Total</u>
1	Masspower			
2	Entergy Nuclear			
3	MBTA Jets 1			
4	MBTA Jets 2			
5	NEA 1			
6	NEA 2			
7	Ocean State 1			
8	Ocean State 2			
9	OSP Replacement Power			
10	NUGs Generation			
11	Less: Assumed Line Losses @	6.86%		
12	Net GWH Delivered			
13	Dist Co Settlement Price			
14	Cost of NUG Purchases			

REDACTED

Boston Edison Company
Total NUG Cost
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Forecast</u> <u>Jan-05</u>	<u>Forecast</u> <u>Feb-05</u>	<u>Total</u>
1	Masspower	REDACTED		
2	Entergy Nuclear			
3	MBTA Jets 1			
4	MBTA Jets 2			
5	NEA 1			
6	NEA 2			
7	Ocean State 1			
8	Ocean State 2			
9	Hydro Quebec 1			
10	Hydro Quebec 2			
11	HQ Energy Line Usage			
12	Connecticut Yankee			
13	Mass Yankee			
14	Total NUG Cost			

Boston Edison Company
Monthly Short Term Market Transactions
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Account</u>	<u>Forecast Jan-05</u>	<u>Forecast Feb-05</u>	<u>Total</u>
	<u>Cost</u>				
1	Short Term SO - Sales	447640	\$ (13.743)	\$ (12.437)	\$ (26.180)
2	Short Term SO - Energy	555010	45.206	35.724	80.930
3	Short Term SO - Capacity	555020	-	0.001	0.001
4	ISO - NE	555030	0.640	0.621	1.261
5	Miscellaneous Transmission	565260	0.025	0.019	0.044
6	OSP Replacement Power		-	-	-
7	Total ST Market Cost		<u>\$ 32.128</u>	<u>\$ 23.928</u>	<u>\$ 56.056</u>

Boston Edison Company
Standard Offer Revenue
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Account</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Total</u>
1	<u>Standard Offer Revenues</u>				
2	Residential	440170	\$ 14.868	\$ 14.790	\$ 29.658
3	Commercial	442450	\$ 16.906	\$ 17.243	34.149
4	Industrial	442460	\$ 2.090	\$ 1.850	3.940
5	Street Light	444070	\$ 0.539	\$ 0.481	<u>1.020</u>
6	Total Standard Offer Revenues		<u>\$ 34.403</u>	<u>\$ 34.363</u>	<u>\$ 68.766</u>
7	Standard Offer Price		<u>\$ 0.054</u>	<u>\$ 0.054</u>	
8	SOSFA Price				
9					
10	Standard Offer GWH Sales		646.596	636.840	1,283.436

Boston Edison Company
Monthly Wholesale GWH Sales, Wholesale Sales as Percentage of Sales

<u>Line</u>	<u>Wholesale Customer</u>	<u>Forecast</u>		<u>Total</u>
		<u>Jan-05</u>	<u>Feb-05</u>	
1	Braintree			-
2	MassPort	15.441	16.815	32.256
3	Other	-	-	-
4	Total Wholesale Sales	15.441	16.815	32.256
5	Retail Sales - SO	<u>646.596</u>	<u>636.840</u>	<u>1,283.436</u>
6	Total Sales (Whsle + SO)	<u>662.037</u>	<u>653.655</u>	<u>1,315.692</u>
7	Wholesale % (Line 4 / line 6)	2.33%	2.57%	

Boston Edison Company
Monthly Standard Offer Deferral
\$ in Millions

Line	Description	Dec-04	Forecast Jan-05	Forecast Feb-05	Total
1	Standard Offer Revenues [page 5, line 6]		\$ (34.403)	\$ (34.363)	\$ (68.766)
2	Standard Offer Expense [line 12]		<u>34.403</u>	<u>34.363</u>	<u>68.766</u>
3	Standard Offer Deferral (Over) / Under Recovery		-	-	-
4	Interest on SO Deferral Balance [Note]		-	-	-
5	SO Deferral (Over) / Under Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
6	<u>Standard Offer Expense Detail</u>				
7	NUG Purchases [page 2, line 13]		\$ 1.456	\$ 9.715	\$ 11.171
8	Short Term Market Transactions [page 4, line 6]		<u>33.749</u>	<u>25.531</u>	<u>59.280</u>
9	Subtotal [line 7 + line 8]		35.205	35.246	70.451
10	Wholesale % [page 6, line 7]		2.33%	2.57%	
11	Wholesale Cost [line 9 * line 10]		<u>0.802</u>	<u>0.883</u>	<u>1.685</u>
12	Standard Offer Expense [line 9 - line 11]		<u>\$ 34.403</u>	<u>\$ 34.363</u>	<u>\$ 68.766</u>
	Annual Interest Rate		1.65%	1.65%	

**Boston Edison Company
Monthly NUG Generation
GWH**

<u>Line</u>	<u>Description</u>	<u>Forecast Jan-05</u>	<u>Forecast Feb-05</u>	<u>Total</u>
1	Masspower			
2	Entergy Nuclear			
3	MBTA Jets 1			
4	MBTA Jets 2			
5	NEA 1			
6	NEA 2			
7	Ocean State 1	REDACTED		
8	Ocean State 2			
9	OSP Replacement Power			
10	NUGs Generation			
11	Less: Assumed Line Losses @	6.86%		
12	Net GWH Delivered			
13	Dist Co Settlement Price			
14	Cost of NUG Purchases			

Boston Edison Company
Total NUG Cost
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Forecast Jan-05</u>	<u>Forecast Feb-05</u>	<u>Total</u>
1	Masspower			
2	Entergy Nuclear			
3	MBTA Jets 1			
4	MBTA Jets 2			
5	NEA 1			
6	NEA 2			
7	Ocean State 1	REDACTED		
8	Ocean State 2			
9	Hydro Quebec 1			
10	Hydro Quebec 2			
11	HQ Energy Line Usage			
12	Connecticut Yankee			
13	Mass Yankee			
14	Total NUG Cost			

Boston Edison Company
Monthly Short Term Market Transactions
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Account</u>	<u>Forecast Jan-05</u>	<u>Forecast Feb-05</u>	<u>Total</u>
	<u>Cost</u>				
1	Short Term SO - Sales	447640	\$ (12.122)	\$ (10.834)	\$ (22.956)
2	Short Term SO - Energy	555010	45.206	35.724	80.930
3	Short Term SO - Capacity	555020	-	0.001	0.001
4	ISO - NE	555030	0.640	0.621	1.261
5	Miscellaneous Transmission	565260	0.025	0.019	0.044
6	OSP Replacement Power		-	-	-
7	Total ST Market Cost		<u>\$ 33.749</u>	<u>\$ 25.531</u>	<u>\$ 59.280</u>

Boston Edison Company
Standard Offer Revenue
\$ in Millions

<u>Line</u>	<u>Description</u>	<u>Account</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Total</u>
1	<u>Standard Offer Revenues</u>				
2	Residential	440170	\$ 14.868	\$ 14.790	\$ 29.658
3	Commercial	442450	\$ 16.906	\$ 17.243	34.149
4	Industrial	442460	\$ 2.090	\$ 1.850	3.940
5	Street Light	444070	\$ 0.539	\$ 0.481	<u>1.020</u>
6	Total Standard Offer Revenues		<u>\$ 34.403</u>	<u>\$ 34.363</u>	<u>\$ 68.766</u>
7	Standard Offer Price		<u>\$ 0.054</u>	<u>\$ 0.054</u>	
8	SOSFA Price				
9					
10	Standard Offer GWH Sales		646.596	636.840	1,283.436

Boston Edison Company
Monthly Wholesale GWH Sales, Wholesale Sales as Percentage of Sales

Line	Wholesale Customer	Forecast		Total
		Jan-05	Feb-05	
1	Braintree			-
2	MassPort	15.441	16.815	32.256
3	Other	-	-	-
4	Total Wholesale Sales	15.441	16.815	32.256
5	Retail Sales - SO	<u>646.596</u>	<u>636.840</u>	<u>1,283.436</u>
6	Total Sales (Whsle + SO)	<u>662.037</u>	<u>653.655</u>	<u>1,315.692</u>
7	Wholesale % (Line 4 / line 6)	2.33%	2.57%	

**Boston Edison Company
d/b/a NSTAR ELECTRIC**

Direct Testimony of Robert B. Hevert on OSP Contract Assignments

Exhibit NSTAR-RBH

D.T.E. 04-68

I. INTRODUCTION

Q. Please state your name, affiliation and business address.

A. My name is Robert B. Hevert and I am President of Concentric Energy Advisors, Inc. (“CEA”), located at 313 Boston Post Road West, Suite 210, Marlborough, Massachusetts 01752.

Q. On whose behalf are you submitting this direct testimony?

A. I am submitting this testimony on behalf of Boston Edison Company (“Boston Edison”) or the “Company”).

Q. Please describe the nature of the services provided by CEA.

A. CEA is a management consulting and economic advisory firm focused on the North American energy and water industries. CEA specializes in transaction-related financial advisory services including merger, acquisition and divestiture engagements, as well as strategic and management consulting services. Prior to CEA, the majority of CEA’s staff were members of Reed Consulting Group (“RCG”), which subsequently was acquired by Navigant Consulting, Inc. (“NCI”).

Since 1997, CEA staff members have advised either the seller or a prospective buyer of physical or contractual generation assets in numerous transactions. On the sell side, CEA’s staff has provided advisory services in transactions with an aggregate value in excess of \$20 billion. Specific sell-side engagements for power purchase agreements

1 (“PPAs”) on which CEA staff members have worked include the NSTAR Electric¹ 1999
2 auction process for its PPA Entitlements, Standard Offer and Default Service supply, as
3 well as Niagara Mohawk Power Corporation’s 2000 auction for approximately 6,000
4 megawatts (“MW”) of contracted capacity.

5 More recently, CEA served as sell-side advisor to Rochester Gas and Electric in
6 its R.E. Ginna nuclear power plant sale, which included a long-term PPA for energy and
7 capacity associated with the plant. Other transactions including physical and contractual
8 assets for which CEA staff members had been retained include: Boston Edison’s fossil
9 fuel-fired generation assets; Boston Edison’s Pilgrim nuclear station; Eastern Utilities
10 Associates fossil and hydro generating assets; Central Hudson Gas and Electric; GPU
11 fossil, hydro, development properties and GENCo divestiture; GPU Oyster Creek nuclear
12 station; Potomac Electric Power Company generation assets and power contracts; Nine
13 Mile Point Units 1 and 2; and Conectiv’s fossil and nuclear generating assets. On the
14 buy-side, CEA staff members have represented or otherwise supported numerous
15 confidential clients in the assessment and valuation of various merchant and utility
16 generating resources.

¹ NSTAR Electric includes Boston Edison, Cambridge Electric Light Company (“Cambridge”) and Commonwealth Electric Company (“Commonwealth”).

1 **Q. What services have CEA staff members provided on the sell-side of generation**
2 **divestiture transactions specifically regarding PPAs?**

3 A. On the sell side of power contracts and entitlements, CEA staff members have been
4 involved in all aspects of the auction process, from process design to transaction closing.
5 Those responsibilities have included: developing the overall sales process; enhancing
6 market interest in the assets being sold through the development of detailed offering
7 materials; assisting the seller in establishing the transaction terms; managing the due
8 diligence process; reviewing transaction documents; reviewing and analyzing round bids;
9 assisting in negotiations with bidders; providing financial valuations of the assets; and
10 assisting in obtaining required regulatory and corporate approvals, including the
11 preparation and delivery of fairness opinions. In that regard, CEA staff members have
12 provided testimony in several jurisdictions regarding auction processes and the fair value
13 of assets.

14 **Q. Do CEA staff members have experience in evaluating contractual resources other**
15 **than in divestiture-related auctions?**

16 A. Yes. In addition to the divestiture experience described above, CEA staff members have
17 worked with various confidential clients to develop or assess resource portfolio
18 optimization and generation strategies. Those clients include regulated utilities, non-
19 regulated generation companies, and municipal utilities. In many instances, these clients
20 required valuations of their generation resources, both physical and contractual, for the
21 purposes of financing, strategy development, resource planning, or transaction planning.

1 **Q. Please describe your professional experience.**

2 A. I have served as an executive and manager with other consulting firms (RCG and NCI),
3 and as an officer of Bay State Gas Company. I have provided testimony regarding
4 strategic and financial matters before state several utility regulatory agencies, and have
5 advised numerous clients on all aspects of generation asset acquisition and divestiture
6 transactions on both the buy and sell-side. Among other transactions, my sell-side
7 advisory experience includes the fall 1999 initial auction of the NSTAR Electric power
8 contracts. A summary of my professional and educational background is attached as
9 Exhibit NSTAR-RBH-1.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to describe NSTAR Electric's auction process for the
12 sale or transfer of its rights to 24 Power Purchase Agreements (the "PPA Entitlements" or
13 the "Contracts"), and to support the Company's testimony as to the results of that
14 process. In particular, my testimony will address the results of the auction process for the
15 Ocean State Power PPA Entitlements (collectively referred to herein as the "OSP
16 Contracts").

17 **Q. Please summarize your testimony.**

18 A. Following this introduction, I describe the circumstances leading up to NSTAR Electric's
19 divestiture, discuss the auction's overall design and implementation, and provide an
20 overview of the results of the auction process. My testimony will also address the
21 auction structure relative to the standards established by the Department of

1 Telecommunications and Energy (the “Department”) in accordance with the Electric
2 Restructuring Act (the “Act”).

3 **II. DESCRIPTION OF AUCTION PROCESS**

4 **Q. Why did NSTAR Electric choose to auction the PPA Entitlements at this time?**

5 A. The Company chose to auction its PPA Entitlements for a number of reasons. In
6 accordance with the terms of the Department-approved Restructuring Settlement (for
7 Boston Edison) and the Department-approved Restructuring Plan (for Cambridge and
8 Commonwealth), NSTAR Electric was obligated to divest its fossil, nuclear and
9 contractual generation resources. Although it completed the divestiture of its fossil and
10 nuclear generation resources, NSTAR Electric has not been able to complete the transfer
11 of all of its contractual resources. Indeed, during 1999 and into 2000, NSTAR Electric
12 conducted auctions of its portfolio of power contracts, but did not enter into any
13 definitive agreements as a result of that process. In 2003, NSTAR Electric decided to re-
14 auction its PPA Entitlements with the intent of transferring or otherwise divesting the
15 contracts if the resulting transactions were likely to mitigate the above-market costs
16 associated with those contracts.

17 **Q. How did NSTAR Electric develop its PPA Entitlement divestiture program?**

18 A. The Company began developing the current PPA Entitlement divestiture program in July,
19 2003 when it established a team of employees whose objective it was to develop and
20 implement a process designed to mitigate, to the greatest possible extent, the above-
21 market costs associated with the Contracts. The divestiture team, which had

1 responsibility for four major areas: (1) Developing the Offering Memorandum and Early
2 Interest Package; (2) Marketing, communications, and bidder support; (3) Conducting the
3 Auction; and (4) Bid Evaluation and Recommendations, included Company employees
4 and consultants from CEA. Throughout the process, the divestiture team met weekly (in
5 face-to-face meetings or via conference call) to ensure that all aspects of the process were
6 integrated and coordinated, and to maintain communication among all parties. In
7 addition, the divestiture team periodically met with Company management to report
8 progress and to make decisions critical to the auction process.

9 **Q. The auction process has taken nearly one year from the initial planning stage to the**
10 **signing of transaction agreements. Please explain why that schedule is reasonable.**

11 A. I believe this schedule is reasonable for several reasons. First, the auction of a portfolio
12 of power contracts is an extremely complex transaction due to the myriad legal, tax,
13 accounting, marketing, regulatory and valuation issues, each of which must be thoroughly
14 developed and vetted at the outset of the process. In addition, as explained later in my
15 testimony, NSTAR Electric encouraged bidders to submit bids on any combination of
16 contracts in order to maximize the value of the portfolio. While the advantage of that
17 bidding structure was to heighten the competitive pressure among bidders, it also
18 complicated and lengthened the amount of time needed to adequately review and
19 negotiate competing bids.

1 **Q. Please describe NSTAR Electric's objectives for the PPA Entitlement divestiture**
2 **process.**

3 A. The Company and CEA sought to design an auction that was equitable and structured to
4 maximize the mitigation of transition costs associated with the Contracts. As such, our
5 objective was to implement a process that ensured complete, uninhibited, non-
6 discriminatory access to all data and information by any and all interested parties seeking
7 to participate. Accordingly, the primary objectives of the divestiture process included:

- 8 • Minimizing the above-market costs associated with the PPA Entitlements;
- 9 • Developing, implementing and maintaining the most competitive auction process
10 possible;
- 11 • Ensuring fair treatment of all bidders;
- 12 • Ensuring that the auction process was timely, efficient, and unbiased.

13 **Q. Please describe the specific responsibilities of the divestiture team.**

14 A. As noted earlier, the divestiture team had responsibility for four major areas: (1)
15 Developing the Offering Memorandum and Early Interest Package; (2) Marketing,
16 communications, and bidder support; (3) Conducting the Auction; and (4) Bid Evaluation
17 and Recommendations.

18 **Q. What were the team's responsibilities regarding communications?**

19 A. The team's overall communications objective was to manage internal and external
20 communications regarding the auction process. More specifically, the team was

1 responsible for managing communications with Company management, developing press
2 releases and responding to media calls.

3 **Q. What were the team's responsibilities with respect to marketing, due diligence, and**
4 **bidder support?**

5 A. These responsibilities included all activities associated with marketing the PPA
6 Entitlements. Such activities included identifying the target market, developing and
7 delivering marketing materials, and soliciting expressions of interest through direct mail,
8 and telephonic contact. These activities also included drafting the Early Interest Package
9 and Offering Memorandum, negotiating and executing Confidentiality Agreements,
10 evaluating bidder qualifications, preparing bid instructions, and analyzing all bids.
11 Throughout the auction process, the team also focused on treating all bidders consistently
12 and fairly.

13 The team was also responsible for managing the due diligence process, including
14 the preparation of documentation CD-ROMs, managing bidder questions and answers
15 ("Q&As"), and participating in or facilitating meetings or conference calls between
16 individual bidders and company personnel. The due diligence process, which is
17 discussed in more detail later in my testimony, was designed to ensure that each bidder
18 received the information necessary to satisfactorily complete its evaluation of the PPA
19 Entitlements, and that such information was provided in a consistent, timely, and
20 equitable manner.

1 As discussed later in my testimony, CEA staff members supported bidders
2 throughout the due diligence process by serving as “bidder representatives”. That is,
3 each bidder was assigned a specific CEA staff member to whom all questions and
4 scheduling issues were directed. The bidder representatives worked with their respective
5 bidders to resolve any unanswered questions and to schedule meetings or conference calls
6 with Company personnel.

7 **Q. Please describe the team’s responsibilities as they relate to terms of sale.**

8 A. The divestiture team was responsible for developing the principal terms of the transaction
9 documents. In that role, the divestiture team worked closely with NSTAR Electric to
10 develop the key transaction parameters. The team’s primary objectives for the
11 transaction terms were to maximize the mitigation of transition costs associated with the
12 PPA Entitlements.

13 **Q. What are the divestiture team’s responsibilities with respect to the closing process?**

14 A. The divestiture team is responsible for all activities after the execution of transaction
15 documents through final closing. CEA provided analysis, recommendations and support
16 through the negotiations, which NSTAR Electric conducted. The team will continue to
17 support the legal advisors and will seek the expeditious approval of the transaction.

18 **Q. Please provide an overview of the auction process used to market the PPA**
19 **Entitlements.**

20 A. The auction process was developed with the primary objective of mitigating, to the
21 greatest extent possible, the above-market costs associated with the PPA Entitlements.

1 Accordingly, the process was designed to be a fair, unbiased process in which bidders
2 would have the ability and opportunity to maximize the value of their respective bids.
3 Initially, CEA undertook an aggressive preliminary marketing campaign during which
4 interest in the PPA Entitlements was developed and solicited from numerous potential
5 bidders. Throughout the auction process, substantial amounts of information and
6 documentation relating to the PPA Entitlements, together with ongoing due diligence
7 support, were provided to all qualified bidders. At the end of the bid process, bidders
8 submitted their bids, including both pricing and contractual terms ("Bids"). A time line
9 and overview of the auction process is provided in Exhibit NSTAR-RBH-2.

10 **Q. How did NSTAR Electric initially market the PPA Entitlements?**

11 A. The initial marketing phase began on October 1, 2003 when NSTAR Electric publicly
12 announced its intention to sell or transfer the 24 PPA Entitlements. Following that
13 announcement, an Early Interest Package was sent to approximately 90 potential bidders
14 including the counterparties to the PPAs, global, national and regional energy companies,
15 unregulated affiliates of electric and gas utility companies, project developers, energy
16 marketers, financial advisors and investment firms.

17 **Q. Please describe the Early Interest Package.**

18 A. The Early Interest Package included an Early Interest Letter ("EIL"), a Confidentiality
19 Agreement, and a Request for Qualifications ("RFQ"). Copies of all documents are
20 included as NSTAR-RBH-3. The EIL provided a brief description of the PPA
21 Entitlements, a general overview of the regional market, and contact instructions for

1 interested parties seeking additional information regarding the Contracts or wishing to
2 participate in the bidding process. The EIL also encouraged interested parties to consider
3 bidding on any or all of the PPA Entitlements. The broad distribution of the EIL Package
4 and the direct marketing efforts undertaken by CEA were intended to maximize the
5 likelihood of participation by the largest and most competitive group of qualified bidders.

6 **Q. Were prospective bidders required to execute any documents to be admitted into the**
7 **auction process?**

8 A. Yes. Bidders were required to execute a Confidentiality Agreement as a condition of
9 receiving any further information regarding the PPA Entitlements. As discussed below,
10 bidders were also required to submit a completed Qualifications Package in order to be
11 considered "Qualified Bidders."

12 **Q. How many responses did NSTAR Electric receive in response to the Early Interest**
13 **Package?**

14 A. Over the period beginning October 1, 2003 and ending November 15, 2003, CEA and
15 NSTAR Electric received responses from and negotiated Confidentiality Agreements
16 with 25 interested parties. The Company subsequently received complete qualifications
17 packages from the 25 parties that signed Confidentiality Agreements.

18 **Q. Why was the Confidentiality Agreement important to the auction process?**

19 A. For any competitive bidding process to be effective, all parties must be confident that the
20 process is fair to all participants and that it will produce a conclusive result. To that end,
21 all bidders must have equal access to relevant information regarding the subject assets.

1 The Confidentiality Agreement provided a means by which NSTAR Electric was able to
2 provide such information to bidders without otherwise adversely affecting either NSTAR
3 Electric or the prospective counterparties. Among other provisions, the Confidentiality
4 Agreement provided that bidders were precluded from disclosing the information
5 obtained in the auction process to any other party, and from using the information for any
6 purpose other than evaluating the PPA Entitlements. As noted above, the execution of
7 the Confidentiality Agreement was a prerequisite for participation in the auction process.

8 **Q. Has NSTAR Electric disclosed the names of the bidders?**

9 A. No. With the exception of the announcement of the winning bidders for individual
10 contracts, the bidders' names have continued to be, and will continue to be, treated as
11 confidential.

12 **Q. How did NSTAR Electric evaluate the interested parties' qualifications?**

13 A. The Qualifications Package was designed to provide NSTAR Electric and CEA specific
14 financial, legal and operating information regarding the bidder or bidding group, as the
15 case may be. The intent of the RFQ and the qualification process was to ensure that all
16 bidders selected for participation in the process had the operating and financial
17 wherewithal required to assume and administer the PPA Entitlements in the event an
18 Entitlement Transfer Agreement was required. The RFQ sought the following
19 information:

- 20 • An identification of the bidder, including any advisors, anticipated partners, and any
21 known source of funds;

- 1 • An identification of the assets that the bidder owns, operates or controls within
- 2 NEPOOL for the purpose of assessing potential market power issues;
- 3 • A description of the company's financial qualifications;
- 4 • A summary of any conflicts of interest between the bidder and NSTAR Electric; and
- 5 • A summary of the internal and external approvals necessary to close the transaction.

6 The Company evaluated the qualifications packages on a rolling basis such that each
7 bidder's qualifications were reviewed at the time they were received.

8 **Q. Is the qualification process important?**

9 A. Yes, it is especially important in the case of a third-party transaction under which an
10 Entitlement Transfer Agreement ("ETA") would be the governing transaction document,
11 and the ETA counterparty would have a series of continuing obligations.² As set forth in
12 the ETA, bankruptcy by either party (or its guarantor) represents an event of default, a
13 remedy of which would be the early termination of the agreement. Given the time and
14 resources needed to develop, implement and close a PPA auction process, NSTAR
15 Electric prudently chose to establish a qualification process to avoid such costs.³

² An ETA establishes a contractual arrangement in which a party that is unaffiliated with the generating facility agrees to accept deliveries of electricity in accordance with the terms of existing PPAs. As discussed later in my testimony, the qualifications process is less critical in the case of a termination agreement with a current Contract counterparty.

³ This concern is not academic. In D.P.U./D.T.E 97-94, the Department approved the transfer of certain PPAs from New England Power Company to USGen New England, Inc. On July 8, 2003, USGen New England, along with several of its affiliate companies, filed for Chapter 11 bankruptcy protection.

1 **Q. Please describe the Due Diligence Stage of the Competitive Bidding Process.**

2 A. The Due Diligence Stage began on October 17, 2003 when the Offering Memorandum
3 (“OM”) and the ETA were sent to 25 parties that executed the Confidentiality
4 Agreements. (Three bidders voluntarily withdrew from the process after receiving the
5 OM.) The OM included a detailed description of each Contract, an overview of the
6 bidding process, and the preliminary Terms of Sale.

7 In addition to receiving the OM, Qualified Bidders also received a documentation
8 CD-ROM that included all of the PPA Entitlement agreements and amendments as well
9 as the associated invoices, and an electronic contract evaluation spreadsheet for each of
10 the PPA Entitlements. It is important to note that the evaluation spreadsheet was
11 provided for the convenience of qualified bidders, and that all bidders were encouraged to
12 perform their own independent evaluation of the Contracts.

13 As noted earlier, each Qualified Bidder was assigned a dedicated CEA Bidder
14 Representative and was encouraged to conduct due diligence by sending written
15 questions to CEA via e-mail. The Bidder Representatives were the single point of
16 contact for their respective bidders regarding all matters relating to the competitive
17 bidding process. As such, the Bidder Representatives both facilitated the due diligence
18 process for their bidders and, by serving as the single point of contact, ensured that
19 confidentiality was maintained throughout the auction process.

1 **Q. How was the Q&A process, including requests for additional documentation**
2 **handled during the due diligence process?**

3 A. Throughout the due diligence process, bidders were encouraged to send written questions
4 to CEA via a separate e-mail address. CEA received and reviewed the questions and, if
5 necessary, forwarded the questions to the appropriate company personnel. Responses to
6 those questions were provided as quickly as possible. In addition, while bidders
7 generally received answers to their specific questions, from time to time CEA and
8 NSTAR Electric determined that the information requested by one bidder should be made
9 available to all bidders. Such information (e.g., scheduling and timing of bids) generally
10 was intended to clarify issues that likely would apply to all bidders regardless of the
11 Contact or Contracts for which they were bidding.

12 **Q. Did bidders receive specific instructions for submitting their bids?**

13 A. Yes, on November 6, 2003 bid instructions were made available to all bidders. A PPA
14 Entitlement Bid Form was also sent to each bidder as an attachment to the bid
15 instructions. The Bid Instructions, which set a due date of Friday November 21, 2003 for
16 the receipt of Bids, specified the form and content in which Bids were to be submitted. A
17 copy of the Bid Instructions, including the Bid Form, is provided as NSTAR-RBH-4.
18 According to those instructions, Bids were to include the following elements:

- 19 1. The Bid Form;
- 20 2. Confirmation of the Bidding Group and Ownership Structure;
- 21 3. Identification of advisors;

- 1 4. Identification of interest by identifying the PPA Entitlements for which the bid
- 2 was submitted;
- 3 5. Pricing options for each PPA Entitlement for which the bid was submitted;
- 4 6. Identification of any regulatory or other approvals or consents required to close
- 5 the transactions;
- 6 7. Identification of the entity providing credit support and an explanation of how the
- 7 required financial security would be provided;
- 8 8. Any exceptions to the ETA, the document through which the rights and
- 9 obligations under any non-assignable contracts would be transferred.

10 Among other things, the Bid Instructions stated that any Bid subject to internal approvals
11 or financing may be rejected, and that the nature and extent of proposed modifications to
12 the ETA would be taken into consideration when evaluating bids. As discussed below,
13 the Bid Instructions were designed to enable NSTAR Electric and CEA to evaluate all
14 bids on a comparable basis.

15 **Q. How was the bid form structured?**

16 The PPA Entitlement Bid Form included two pricing options. Option 1 provided for a
17 lump sum payment from the Bidder to NSTAR Electric or from NSTAR Electric to the
18 Bidder, based on NSTAR Electric paying the indicated monthly support payments for
19 each contract. Bid Option 2 was for PPA Entitlements with energy only pricing (no fixed
20 charges). Under Option 2 Qualified Bidders were asked to indicate the price per
21 megawatt hour they would pay to NSTAR Electric for energy delivered under the

1 specific PPA Entitlement. The Bid Form also required that each bid cover the remaining
2 term and for the full output associated with any PPA Entitlement. The Bid Form also
3 required Qualified Bidders to specify in their bid package whether each bid was separable
4 from other PPA Entitlement bids. In addition, the Bid Form also noted that any re-
5 marking mechanisms required by bidders due to the passage of time were to be based on
6 publicly available indices or data sources.

7 **III. FINAL BID REVIEW**

8 **Q. Please provide an overview of the Bids received by NSTAR Electric.**

9 A. On December 3, 2003, NSTAR Electric received twelve bids, including two bids for the
10 entire PPA Entitlement portfolio, and one bid for all but the OSP Contracts.⁴ None of the
11 portfolio bids conformed to the Bid Instructions in that they were subject to internal
12 approvals, further due diligence, or other such conditions.

13 **Q. How did NSTAR Electric evaluate the bids?**

14 A. Throughout the months of December through March, negotiations continued with each of
15 the bidders regarding specific aspects of their proposed financial and contractual terms.
16 During this process, NSTAR Electric and CEA jointly and individually evaluated the bids
17 with the objective of identifying those combinations of bids that offered the greatest
18 mitigation of transition costs.

⁴ For the purposes of this discussion, these three bids are referred to as the “portfolio bids”.

1 Written questions designed to clarify elements of various bids were sent to
2 bidders throughout December and January, and responses were received and evaluated on
3 a rolling basis. Based on CEA's and NSTAR Electric's evaluation of the bids, including
4 the bidder responses to written questions, certain bidders were invited to participate in
5 meetings and/or conference calls with NSTAR Electric. During those meetings and calls,
6 bidders were provided an opportunity to further clarify certain elements of their bids, and
7 to propose potentially value-enhancing refinements. Based on those discussions, various
8 bidders made specific improvements to their bids. That process of ongoing discussions
9 and negotiations regarding the payment stream and transaction structure resulted in an
10 agreement between NSTAR Electric and TransCanada Energy Ltd. ("TransCanada") to
11 assign the OSP Contracts.

12 **Q. How did CEA develop its valuation of the PPA Entitlements?**

13 A. Prior to the bid due date, CEA and NSTAR Electric developed an evaluation
14 methodology under which bids would be compared to NSTAR Electric's expected long-
15 term costs under the respective contracts, and relative to the proposed terms of other
16 bidders for the same contracts. To perform that analysis, CEA separately valued each
17 PPA Entitlement to determine the total cost for the energy and capacity over the term of
18 the agreement. Specific pricing and cost assumptions were made for each of the
19 Contracts (the specific assumptions relating to the OSP Contracts are described further
20 below). Global assumptions regarding the market price of energy, capacity, and fuel
21 were obtained from Henwood Energy Service Inc.'s ("Henwood") Northeast Electricity

1 and Gas Price Outlook for Fall 2003, with updates in March and May, 2004 for years
2 2004 through 2006 (“Northeast Electric and Gas Price Forecast”). In general, the above-
3 market costs was calculated as the present value of the difference between the expected
4 total cost under the Contract terms and the market value based on the Henwood forecast.

5 **Q. Please describe in more detail the process used to evaluate the portfolio bids.**

6 A. After the initial review of the portfolio bids, it was clear that one of the three portfolio
7 bids was substantially nonconforming in its structure and contained pricing provisions
8 that were considerably less attractive than the other portfolio bids. Consequently, our
9 evaluation quickly turned to the remaining portfolio bids and viable combinations of
10 contract-specific bids. Of the remaining two portfolio bids, one (herein referred to as
11 “Bidder A”) contained proposed pricing terms that were economically attractive, while
12 the other bid (“Bidder B”) contained proposed terms that were slightly above the
13 expected above-market portfolio cost.⁵ (Please note that Bidder B specifically excluded
14 the Ocean State Power contracts from its bid. See the Early Interest Letter contained in
15 Exhibit NSTAR-RBH-3 for a summary of the Contracts. See Exhibit NSTAR-RBH-5 for
16 a summary of the initial three portfolio bids.)

17 **Q. How did you proceed with Bidders A and B?**

18 A. As with all of the bidders in this process, CEA and NSTAR Electric held a series of
19 meetings and conference calls with Bidders A and B to address issues specific to their

⁵ As noted elsewhere in my testimony, these comparative analyses were performed on a present-value basis.

1 respective bids. In the course of those conversations, Bidder A brought forth a significant
2 number of additional due diligence items, and introduced a series of internal accounting
3 issues that would require several weeks to be resolved. Consequently, while Bidder A's
4 portfolio bid was attractive on its face, it was unclear whether the bid would maintain its
5 economic viability. Our approach to Bidder A, therefore, was to promptly address the
6 additional due diligence needs while the bidder continued to consider its internal
7 accounting issues.

8 Bidder B's bid, while slightly high relative to the expected out-of-market cost
9 (excluding the OSP contract), did not have the number or scope of contingencies
10 contained in Bidder A's bid. In the case of Bidder B, therefore, CEA and NSTAR
11 Electric worked with the bidder to find ways either to reduce the cost of the portfolio bid,
12 or to identify and remove specific contracts that appeared to have disproportionate effects
13 on the bid price. (Bidder B's bid did not include the OSP contracts and was therefore not
14 included in any of the negotiations for these contracts.) Neither Bidder A nor Bidder B
15 were counterparties to any of the Contracts and in both cases, the governing transaction
16 document would have been the ETA.

17 **Q. Please describe the remaining nine bidders.**

18 **A.** Of the remaining nine bidders, four were existing Contract counterparties and bid only on
19 the Contracts to which they were a counterparty. Three of the four counterparty bids
20 appeared to be economically viable and in aggregate represented a significant portion of
21 the portfolio's total estimated above market cost. Those three bids, therefore, became

1 strategic priorities. The remaining five bidders (none of whom was a counterparty) bid
2 on a variety of Contract combinations. In three cases, the bidders bid only on the
3 hydroelectric contracts. In one case, the bidder bid on two Contracts and the final bidder
4 bid on only one contract. Three of the five non-portfolio, non-counterparty bids appeared
5 to be economically attractive and also were considered to be strategic priorities. In each
6 case, CEA and NSTAR Electric worked with the bidder of every economically viable bid
7 to enhance the value of their respective bids.

8 **Q. How did you then proceed with the bid evaluation and negotiations?**

9 A. Since three of the four counterparty bids were economically attractive, CEA asked
10 Bidders A and B to re-price their bids excluding various combinations of those three
11 contracts. (By receiving bids with and without the contracts, CEA was able to discern the
12 portfolio bidders' valuation of the excluded contracts.) In addition, given that three of the
13 third-party, non-portfolio bids appeared to be economically viable, Bidders A and B
14 provided additional re-pricing scenarios excluding various combinations of those
15 Contracts. Based on that analysis, none of Bidder A or Bidder B's breakout bids
16 exceeded the value of the combined counterparty bids. CEA and NSTAR Electric
17 therefore determined that it was prudent to focus our negotiations on the counterparty
18 bidders. In the end, Bidder A was not able to resolve its accounting and due diligence
19 issues and was dropped from the process; Bidder B was not able to materially improve
20 either its portfolio or breakout bid price and also was dropped from the process.

1 **Q. Please explain why the TransCanada bid specifically was selected over the two**
2 **portfolio bids.**

3 A. As noted earlier, NSTAR Electric's objective was to find that combination of bids that
4 was most likely to create the greatest possible reduction in above-market costs associated
5 with the Contracts. In order to make that assessment, the portfolio bidders were asked to
6 disaggregate their bids into the several components that would allow for a side-by-side
7 comparison of bids for individual contracts and the portfolio taken as a whole. As a
8 result of that assessment, CEA and NSTAR Electric determined that the TransCanada bid
9 was the lowest viable bid and, in combination with other contract-specific bids, was
10 therefore most likely to create the greatest reduction in above-market costs.

11 **Q. Were other issues taken into consideration in evaluating the TransCanada bid**
12 **relative to the portfolio bids?**

13 A. Yes. First, as noted earlier, all of the portfolio bids were subject to further internal
14 approvals and due diligence. Consequently, even if Bidder A's bid which was effectively
15 non-binding, produced reductions in above-market costs equal to those created by the
16 TransCanada bid, there was less certainty regarding the timing and pricing at which that
17 bid might have closed. In addition, the TransCanada Purchase and Sale Agreement calls
18 for the permanent assignment of the contracts as opposed to the transfer of rights and
19 obligations under an ETA (which would have been the principal transaction document for
20 any of the portfolio bids). Since the Purchase and Sale Agreement provides greater
21 certainty as to the eventual economics of the transaction, all else being equal, NSTAR

1 Electric would prefer the Purchase and Sale agreement structure. Although Bidder A
2 provided a non-binding proposal with slightly lower pricing, as noted earlier, that bidder
3 was never able to present a final, binding proposal. Consequently, in addition to the more
4 favorable structural elements of a Purchase and Sale Agreement relative to an ETA, the
5 TransCanada bid also was the best viable bid in terms of pricing.

6 **IV. THE ASSIGNMENT OF THE OSP CONTRACTS**

7 **Q. Please summarize the auction results as they relate to the OSP Contracts.**

8 A. As discussed earlier in my testimony, from October through December, 2003, NSTAR
9 Electric, through CEA, aggressively marketed the PPAs to a broad group of potential
10 bidders, and provided selected, qualified bidders with substantial information and due
11 diligence support regarding all aspects of the PPA Entitlements. On December 3, 2003,
12 NSTAR Electric received 12 bids for various combinations of the PPA Entitlements,
13 including a bid from TransCanada for the OSP contracts and three bids for the complete
14 portfolio. The three portfolio bids were subject to internal approvals, further due
15 diligence, or other such conditions.

16 As noted earlier, of the two partially conforming bids, only one included a bid for
17 the OSP contracts. This partially conforming portfolio bid proposed one monthly
18 payment stream for all 24 PPA Entitlements without a breakout of the OSP Contract.

19 Ongoing discussions and negotiations regarding pricing and ETA terms continued
20 for several weeks. After extensive analysis and review (described later in my testimony),
21 it was determined that the TransCanada bid for the contract permanent assignment

1 provided the greatest level of mitigation of the above-market costs associated with the
2 OSP Contracts

3 **Q. Please provide an overview of OSP Facilities and the OSP Contracts.**

4 A. The OSP generating facility is located in Burrillville, RI, and is wholly-owned and
5 operated by TransCanada OSP Holdings, Ltd., a wholly-owned subsidiary of
6 TransCanada Pipelines Limited. There are two units at the location, OSP 1 and OSP 2.
7 Both are gas-fired, combined-cycle generating facilities. The current capacity ratings of
8 the OSP 1 unit are 270.925 MW in summer and 316.925 MW in winter and the current
9 capacity ratings of the OSP 2 unit are 270.180 MW and 318.180 MW in the summer and
10 winter respectively. The Company has two PPAs (as amended) for the output of the OSP
11 units; one for each unit, both of which are with Boston Edison.

12 **Q. Please describe the principal provisions of the OSP 1 and OSP 2 agreements.**

13 A. The OSP 1 agreement has an initial twenty-year term beginning on December 31, 1990
14 and ending on December 31, 2010. Under the agreement, Boston Edison is obligated to
15 purchase 23.5 percent of the summer and winter energy and capacity, or 63.7 MW and
16 74.5 MW of summer and winter capacity, respectively. The OSP 1 agreement is a cost of
17 service based contract for delivered energy and capacity and contains other provisions,
18 including assignment rights, right to expansion capacity, security provisions, emission
19 credits, and a most favored nation clause.

20 The OSP 2 agreement, also with Boston Edison, terminates on September 30,
21 2011. As with the OSP 1 agreement, the OSP 2 agreement is a cost of service based

1 contract for delivered energy and capacity. Under this contract, Boston Edison is
2 obligated to purchase 23.5 percent of the summer and winter energy and capacity, or 63.5
3 MW and 74.8 MW of summer and winter capacity, respectively. The OSP 2 agreement
4 also contains certain other provisions, including assignment rights, right to expansion
5 capacity, security provisions, emission credits, and a most-favored-nation clause.

6 **Q. Please describe the principal terms of the proposed OSP Purchase and Sale**
7 **Agreement.**

8 On June 23, 2004, the Company and TransCanada executed a Purchase and Sale
9 Agreement for the two OSP contracts. As noted more fully by Mr. Lubbock, the OSP
10 transaction is an assignment of the existing OSP contracts whereby Boston Edison will
11 make a series of payments to TransCanada for taking assignment of the OSP contracts.
12 The Purchase and Sale Agreement includes an assumed closing date of April 1, 2004.

13 **Q. What were the key assumptions relating to the valuation of the OSP Contracts?**

14 A. As noted earlier in my testimony, the pricing provisions under the OSP Contracts include
15 energy and capacity payments on a cost-of-service basis. The primary variables included
16 in the contract evaluations are: (1) the variable cost for fuel supply and transportation;
17 (2) the demand and investment costs; and (3) the market price of energy and capacity. To
18 ensure internal consistency, the fuel, energy, and capacity price projections were obtained
19 from the same source, i.e., the Henwood forecast. Finally, CEA used a discount rate of
20 7.82 percent for this and all contract and bid evaluations.

1 **Q. Has OSP's generation output been declining?**

2 A. Yes, OSP's generation output has been declining for three main reasons: (1) with the
3 addition of almost 10,000 MW of new more efficient combined cycle generating units to
4 the New England market in recent years, the OSP units are subject to increasing
5 competition, which is causing the units to dispatch less; (2) with natural gas prices high
6 by historical standards, alternative fuels such as residual oil are more competitive and as
7 such, OSP dispatches less; and (3) since OSP is operated pursuant to cost of service
8 contracts (with all costs and revenues going to the entitlement holders for the units), OSP
9 has the ability to sell either power or natural gas, as economics dictate. As gas prices rise
10 proportionally higher than competing fuels, therefore, it becomes economically more
11 attractive to sell gas and not generate power. This further reduces the amount of power
12 generated from the units. Although the sale of gas enhances project economics, the
13 declining output due to increased competition serves to make the units less attractive as a
14 source of power supply for the Company.

15 **Q. Does the Purchase and Sale Agreement contain provisions that financially settle the**
16 **assignment back to April 1, 2004.**

17 A. Yes. TransCanada's winning bid to acquire the OSP Contract entitlements originally was
18 based on an April 1, 2004 transaction date. In negotiations with TransCanada to move
19 the commencement date to the Fall of 2004, the payments that TransCanada indicated
20 that it would be willing to accept for a later closing date resulted in lower customer
21 savings than the savings calculated for the winning bid. Therefore, NSTAR Electric

1 developed the financial true-up mechanism as a means of preserving the value contained
2 in the winning bid.

3 **Q. Please explain how the settlement mechanism works.**

4 A. As set forth in Exhibit B (True-Up Period) of the Entitlement Payment Agreement (which
5 is Exhibit C of the Purchase and Sale Agreement), there are two settlement periods under
6 the proposed transaction. The first settlement period, referred to as the "Prior Period",
7 provides for a financial arrangement under which upon closing, the period April 1, 2004
8 through June 30, 2004 will be financially trued up as follows: Boston Edison will pay
9 TransCanada the sum of (i) the monthly support payments during the period and (ii) the
10 day ahead locational marginal price for all energy received under the OSP Contracts
11 during the period, and TransCanada will pay Boston Edison all actual charges previously
12 paid by Boston Edison to OSP under the Contracts during the period.

13 The second settlement period, the "Interim Period", began on July 1, 2004 and
14 extends until the closing of the transaction. The Interim Period payment structure is
15 similar to the Prior Period structure, except that the unit output has been temporarily
16 assigned to TransCanada effective July 1, 2004 and as such is no longer being received
17 by Boston Edison. Accordingly, during the Interim Period, Boston Edison does not
18 purchase electricity from OSP. When the Interim Period is financially settled at closing,
19 Boston Edison will be required to pay TransCanada the support payments less the full
20 charges previously paid by Boston Edison to OSP.

1 **Q. Why were the OSP Contract entitlements transferred to TransCanada on July 1,**
2 **2004?**

3 A. A condition to TransCanada's acceptance of the financial true up to April 1, 2004 was
4 that NSTAR Electric assign the OSP and OSP 2 entitlements to TransCanada effective on
5 the first day of the month following execution of the Purchase and Sale Agreement. This
6 is important to TransCanada so that it can begin to receive the merchant value of the
7 facility that was assumed in its offer to NSTAR Electric during the summer period.

8 **Q. If the Department does not approve this transaction, are there any unwind**
9 **calculations associated with the Prior Period or Interim Period?**

10 A. In accordance with Exhibit D of the Purchase and Sale Agreement, if the Department
11 does not approve this transaction and the Purchase and Sale Agreement is terminated,
12 none of the financial settlements for the Interim Period will take place, and TransCanada
13 will financially reverse the effects of the temporary assignment by paying Boston Edison
14 the day-ahead locational marginal price for all energy that it receives under the OSP
15 contracts during the Interim Period. There are no unwind calculations necessary for the
16 Prior Period because the financial settlement is made only if the transaction is approved
17 by the Department and the permanent assignment proceeds.

18 **Q. Given the assumptions described above, do you believe that there is a strong**
19 **likelihood that the transaction will maximize the mitigation of transition costs?**

20 A. Yes, I do. First, as discussed earlier, the TransCanada bid is the result of an extensive
21 and carefully implemented auction process in which bidders were given substantial

1 amounts of data to analyze the contracts, and were provided many opportunities to revise
2 and enhance their bids. As noted in Exhibit NSTAR-RBH-5, TransCanada's bid was
3 materially better than any other bid for the OSP Contracts (none of which was finalized),
4 and on a present-value basis is over 6 percent below the expected out-of-market cost of
5 the contract. Exhibit NSTAR-RBH-6 computes the Net Present Value of the reduction in
6 above-market costs of the Purchase and Sale Agreement by comparing the costs that will
7 be incurred under the Purchase and Sale Agreement to the above-market costs that would
8 be incurred under the existing OSP Contracts.

9 **Q. What is your assessment of the proposed transaction's value?**

10 A. For the reasons noted above, it is my conclusion that the proposed transaction is likely to
11 result in over 6 percent reduction in above-market costs for the OSP Contracts and that
12 this reduction exists under a variety of market scenarios. In that regard, CEA performed
13 a series of analyses under different power and fuel price scenarios and found that the
14 proposed transaction continued to result in a reduction of the above-market costs of these
15 contracts.

16 In summary, NSTAR Electric ran a very competitive and unbiased auction
17 process. NSTAR Electric announced its process to a broad market and aggressively
18 marketed the PPA Entitlements for a substantial period. A high level of competition was
19 maintained throughout the auction process and as a result, NSTAR Electric received a
20 series of strong, viable bids. I believe that the reduction in above-market costs in this

1 transaction is a direct result of the competitive auction process that NSTAR Electric
2 established and implemented.

3 **V. CONCLUSIONS**

4 **Q. Did NSTAR Electric achieve the goals it established for this transaction?**

5 A. Yes. As discussed earlier in my testimony, NSTAR Electric established several
6 objectives for this auction process, including:

- 7 • Minimizing the above-market costs associated with the PPA Entitlements;
- 8 • Developing, implementing and maintaining the most competitive auction process
- 9 possible;
- 10 • Ensuring fair treatment of all bidders;
- 11 • Ensuring that the auction process was timely, efficient, and unbiased.

12 I believe that NSTAR Electric achieved all its objectives by conducting a competitive
13 auction that ensured the complete, uninhibited, non-discriminatory access to all data and
14 information by all interested and qualified parties seeking to participate. Through this
15 competitive process, NSTAR Electric has maximized the value of the PPAs and in so
16 doing, has mitigated the above-market costs associated with the contracts for the benefit
17 of its customers. By all of those standards, the auction process and results have been
18 successful.

19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.

Robert B. Hevert, CFA
Concentric Energy Advisors, Inc.
313 Boston Post Road West, Suite 210
Marlborough, MA 01752

Mr. Hevert is an economic and financial consultant with broad experience in the energy industry. He has an extensive background in the areas of corporate strategic planning, energy market assessment, corporate finance, mergers, and acquisitions, asset-based transactions, asset and business unit valuation, market entry strategies, strategic alliances, project development, feasibility and due diligence analyses. Mr. Hevert has significant management experience with both operating and professional services companies.

REPRESENTATIVE PROJECT EXPERIENCE

Financial and Economic Advisory Services

Retained by numerous leading energy companies and financial institutions throughout North America to provide services relating to the strategic evaluation, acquisition, sale or development of a variety of regulated and non-regulated enterprises.

Specific services have included: developing strategic and financial analyses and managing multi-faceted due diligence reviews of proposed corporate M&A counter-parties; developing, screening and recommending potential M&A transactions and facilitating discussions between senior utility executives regarding transaction strategy and structure; performing valuation analyses and financial due diligence reviews of electric generation projects, retail marketing companies, and wholesale trading entities in support of significant M&A transactions.

Specific divestiture-related services have included advising both buy and sell-side clients in transactions for physical and contractual electric generation resources. Sell-side services have included: development and implementation of key aspects of asset divestiture programs such as marketing, offering memorandum development, development of transaction terms and conditions, bid process management, bid evaluation, negotiations, and regulatory approval process. Buy-side services have included comprehensive asset screening, selection, valuation and due diligence reviews. Both buy and sell-side services have included the use of sophisticated asset valuation techniques, and the development and delivery of fairness opinions.

Specific corporate finance experience while a Vice President with Bay State Gas included: negotiation, placement and closing of both private and public long-term debt, preferred and common equity; structured and project financing; corporate cash management; financial analysis, planning and forecasting; and various aspects of investor relations.

Representative non-confidential clients have included:

- Conectiv generation asset divestiture
- Eastern Utilities Associates (prior to acquisition by National Grid, PLC) generation asset divestiture
- Niagara Mohawk – sale of Niagara Mohawk Energy
- Potomac Electric Company generation asset divestiture

Representative confidential engagements have included:

- Buy-side valuation and assessment of merchant generation assets in Midwestern US
- Buy-side due diligence and valuation of wholesale energy marketing companies in Eastern and Midwestern US
- Buy-side due diligence of natural gas distribution assets in Northeastern US
- Financial feasibility study of natural gas pipeline in upper Midwestern US
- Financial valuation of natural gas pipeline in Southwestern US

Regulatory Analysis and Ratemaking

On behalf of electric, natural gas and combination utilities throughout North America, provided services relating to energy industry restructuring including merchant function exit, residual energy supply obligations, and stranded cost assessment and recovery. Also performed rate of return and cost of service analyses for municipally owned gas and electric utilities. Specific services provided include: performing strategic review and development of merchant function exit strategies including analysis of provider of last resort obligations in both electric and gas markets; and developing value optimizing strategies for physical generation assets.

Representative engagements have included:

- Performing rate of return analyses for use in cost of service analyses on behalf of municipally owned gas and electric utilities in the Southeastern and Midwestern US
- Developing merchant function exit strategies for Northeastern US natural gas distribution companies
- Developing regulatory and ratemaking strategy for mergers including several Northeastern natural gas distribution companies

Litigation Support and Expert Testimony

Provided expert testimony and support of litigation in various regulatory proceedings on a variety of energy and economic issues including the proposed transfer of power purchase agreements, procurement of residual service electric supply, the legal separation of generation assets, and specific financing transactions. Services provided also included collaborating with counsel, business and technical staff to develop litigation strategies, preparing and reviewing discovery and briefing materials, preparing presentation materials and participating in technical sessions with regulators and intervenors.

Energy Market Assessment

Retained by numerous leading energy companies and financial institutions nationwide to manage or provide assessments of regional energy markets throughout the US and Canada. Such assessments have included development of electric and natural gas price forecasts, analysis of generation project entry and exit scenarios, assessment of natural gas and electric transmission infrastructure, market structure and regulatory situation analysis, and assessment of competitive position. Market assessment engagements typically have been used as integral elements of business unit or asset-specific strategic plans or valuation analyses.

Representative engagements have included:

- Managing assessments of the NYPOOL, NEPOOL and PJM markets for major North American energy companies considering entering or expanding their presence in those markets
- Assessment of ECAR, MAPP, MAIN and SPP markets for a large US integrated utility considering acquisition of additional electric generation assets
- Assessment of natural gas pipeline and storage capacity in the SERC and FRCC markets for a major international energy company

Resource Procurement, Contracting and Analysis

Assisted various clients in evaluating alternatives for acquiring fuel and power supplies, including the development and negotiation of energy contracts and tolling agreements. Assignments also have included developing generation resource optimization strategies. Provided advice and analyses of transition service power supply contracts in the context of both physical and contractual generation resource divestiture transactions.

Business Strategy and Operations

Retained by numerous leading North American energy companies and financial institutions nationwide to provide services relating to the development of strategic plans and planning processes for both regulated and non-regulated enterprises. Specific services provided include: developing and implementing electric generation strategies and business process redesign initiatives; developing market entry strategies for retail and wholesale businesses including assessment of asset-based marketing and trading strategies; and facilitating executive level strategic planning retreats. As Vice President, Energy Ventures, of Bay State was responsible for the company's strategic planning and business development processes, played an integral role in developing the company's non-regulated marketing affiliate, EnergyUSA, and managed the company's non-regulated investments, partnerships and strategic alliances.

Representative engagements have included:

- Developing and facilitating executive level strategic planning retreats for Northeastern natural gas distribution companies
- Developing organization and business process redesign plans for municipally owned gas/electric/water utility in the Southeastern US
- Reviewing and revising corporate merchant generation business plans for Canadian and US integrated utilities
- Advising client personnel in development of business unit level strategic plans for various natural gas distribution companies

PROFESSIONAL HISTORY

Concentric Energy Advisors, Inc. (2002 – Present)

President

Navigant Consulting, Inc. (1997 - 2001)

Managing Director (2000 – 2001)

Director (1998 – 2000)

Vice President, REED Consulting Group (1997 – 1998)

REED Consulting Group (1997)

Vice President

Bay State Gas Company (1987 - 1997)

Vice President, Energy Ventures and Assistant Treasurer

Boston College (1986 - 1987)

Financial Analyst

General Telephone Company of the South (1984 - 1986)

Revenue Requirements Analyst

EDUCATION

M.B.A., University of Massachusetts, Amherst, 1984

B.S., University of Delaware, 1982

DESIGNATIONS AND PROFESSIONAL AFFILIATIONS

Chartered Financial Analyst, 1991

Association for Investment Management and Research

Boston Security Analyst Society

PUBLICATIONS/PRESENTATIONS

Has made numerous presentations throughout the United States and Canada on several topics including:

- Generation Asset Valuation and the Use of Real Options
 - Retail and Wholesale Market Entry Strategies
 - The Use Strategic Alliances in Restructured Energy Markets
 - Gas Supply and Pipeline Infrastructure in the Northeast Energy Markets
 - Nuclear Asset Valuation and the Divestiture Process
-

AVAILABLE UPON REQUEST

Extensive client and project listings, and specific references.

Testimony of Robert B. Hevert
D.T.E. 04-68
Exhibit NSTAR-RBH-2

Date	Event
July through October	Preliminary Marketing
October 1 – On-going	Finalize Confidentiality Agreements and qualify Bidders
Mid October	Confidential Offering Materials (Offering Memoranda, Draft ETA and Due Diligence Documentation) issued to Bidders
Oct. 17 – Nov. 21, 2003	Detailed due diligence, including meetings/conference calls with management and technical personnel, and confidential Q&A
November 6, 2003	Bid Instructions issued
December 3, 2003	Final Bids Received
Early December – On-going	Bid evaluation
Spring 2004	Agreement(s) executed, winner(s) announced, regulatory process commenced

October 1, 2003

[Contact]
[Title]
[Company Name]
[Address]
[Address]

Re: NSTAR PPA Entitlement Auction

Dear [Contact]:

On behalf of NSTAR Electric & Gas Corporation (“NSTAR” or the “Company”), the parent company of Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company (collectively, the “NSTAR Companies”), we are writing to inform you of the Company’s intention to sell or otherwise transfer its rights to 24 Power Purchase Agreements (“PPA Entitlements”) totaling approximately 1,100 MW of capacity and associated energy through a competitive bidding process. NSTAR has retained Concentric Energy Advisors, Inc. (“CEA”) to act as its advisor in the transaction. With this letter, we invite your company to participate in the competitive bidding process for all or any combination of the NSTAR Companies’ PPA Entitlements.

Overview of the PPA Entitlements

The 24 PPAs represent a portfolio of entitlements in generation facilities that have a broad range of fuel types and operational characteristics, and have a variety of contract terms and pricing provisions. An overview of the PPAs is provided in Table 1.1 on the page which follows. As shown in Figure 1.1 below, the PPA Entitlements are strategically located throughout New England, presenting opportunities for sales within the integrated New England Power Pool (“NEPOOL”) and into neighboring markets.

Figure 1.1

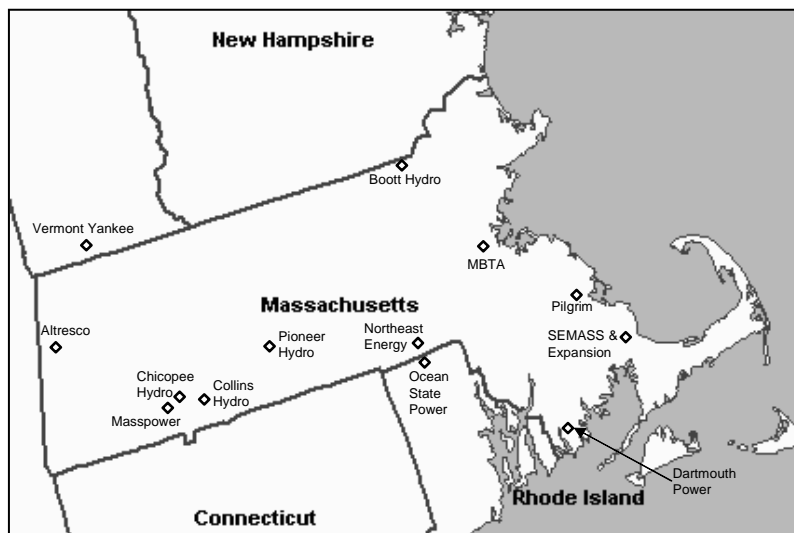


Table 1.1: Overview of the NSTAR Companies' PPA Entitlements

Unit & Contracting Entity	Entitlement (MW)		Location	Expiration	Fuel	Technology
	Summer	Winter				
Altresco-Pittsfield - CA	24.3	29.8	Pittsfield, MA	2011	Gas	CC Cogen
Altresco-Pittsfield - CO	24.3	29.8	Pittsfield, MA	2011	Gas	CC Cogen
Boott Hydro - CO	20.0	20.0	Lowell, MA	2023	Water	Hydro
Chicopee Hydro - CO	2.2	2.2	Chicopee, MA	2015	Water	Hydro
Collins Hydro - CO	1.3	1.3	N. Wilbraham, MA	2014	Water	Hydro
Dartmouth Power - CO	61.8	67.9	Dartmouth, MA	2017	Gas	CC
Masspower - BE	100.0	117.0	Indian Orchard, MA	2013	Gas	CC Cogen
Masspower 1 a - CO	25.7	30.0	See above	2008	Gas	CC Cogen
Masspower 2 - CO	25.7	30.0	See above	2023	Gas	CC Cogen
MBTA 1 - BE	25.0	33.4	South Boston, MA	2005	Jet Fuel	CT
MBTA 2 - BE	25.0	34.7	See above	2019	Jet Fuel	CT
NEA A - BE	123.5	153.0	Bellingham, MA	2016	Gas	CC Cogen
NEA B - BE	68.0	92.0	See above	2011	Gas	CC Cogen
NEA 1 - CO	22.9	28.3	See above	2016	Gas	CC Cogen
NEA 2 - CO	19.2	23.8	See above	2016	Gas	CC Cogen
Ocean State 1 - BE	63.7	74.5	Burrillville, RI	2010	Gas	CC Cogen
Ocean State 2 - BE	62.0	72.9	See above	2011	Gas	CC Cogen
Pilgrim - BE	230.8	230.8	See above	2004	Nuclear	Nuclear
Pilgrim Municipals - BE	24.4	24.4	Plymouth, MA	2004	Nuclear	Nuclear
Pilgrim - CO	36.0	36.0	See above	2004	Nuclear	Nuclear
Pioneer Hydro - CO	1.3	1.3	See above	2014	Water	Hydro
SEMASS - CO	46.2	50.7	Rochester, MA	2015	Refuse	Steam Boiler
SEMASS Expansion - CO	20.9	24.3	See above	2015	Refuse	Steam Boiler
Vermont Yankee - CA	12.7	13.2	Vernon, VT	2012	Nuclear	Nuclear
Total MW	1,066.7	1,221.1				

CA = Cambridge Electric Light Company
CO = Commonwealth Electric Company
BE = Boston Edison Company
CC = Combined Cycle
CT = Combustion Turbine

NSTAR will consider bids for all PPAs, any individual PPA, or any combination of PPAs. The NSTAR Companies anticipate transferring the PPAs to the winning bidder(s) through an Entitlement Transfer Agreement ("ETA"), under which all rights and obligations under the PPAs will be transferred to the winning bidder(s) for the remaining term of the PPAs.

Overview of Competitive Bidding Process and Schedule

NSTAR intends to conduct a single-stage bidding process, which will provide all bidders the opportunity to perform detailed due diligence and will culminate with the submission of bids in mid-November. An overview of the major milestones in the competitive bidding process is provided in Table 1.2 below. Please note that the competitive bidding process and schedule described herein represent the Company's best current estimate and are subject to change. Bidders will be notified promptly of any changes to the bidding process or schedule.

Table 1.2 Bidding Process Milestones

Date	Event
October 1 – On-going	Finalize Confidentiality Agreements and qualify Bidders
Early October	Confidential Offering Materials (Offering Memoranda, Draft ETA and Due Diligence Documentation) issued to qualified bidders
Oct. 6 – Nov. 7, 2003	Detailed due diligence, including meetings/conference calls with management and technical personnel, and confidential Q&A
October 24, 2003	Bid Instructions issued
November 14, 2003	Bids due
December 3, 2003	Bid evaluation, short list notified and negotiations
December 31, 2003	Agreement(s) executed, winner(s) announced, regulatory process commenced

Parties who are interested in bidding on any of the PPA entitlements must submit to CEA a Statement of Qualifications as well as an executed Confidentiality Agreement, each of which are enclosed with this letter. Submissions should be made as quickly as possible to:

Robert B. Hevert
Concentric Energy Advisors, Inc.
313 Boston Post Road West, Suite 210
Marlborough, MA 01752
(508)263-6204 phone
(508) 303-3290 fax
bhevert@ceadvisors.com

Upon the submission of an executed Confidentiality Agreement, bidders will be issued the Company's confidential PPA Entitlement Offering Materials, including the Offering Memorandum, draft ETA, Due Diligence Documentation (e.g., copies of contracts and invoices), and spreadsheet models of each PPA. Qualified bidders will be provided the opportunity to perform detailed due diligence, including meetings with Company representatives.

The NSTAR Companies expressly reserve the right, in their sole and absolute discretion, to negotiate with one or more parties at any time and to enter into a definitive agreement for a transaction involving all or any portion of the PPAs without prior notice to bidders. The NSTAR Companies, and CEA on their behalf, also reserve the right at any time, to modify any of the rules or procedures set forth herein or any other procedure, without prior notice and without assigning any reason, or to terminate the process contemplated by this letter.

All requests for further information regarding the PPAs should be made to CEA. Employees of the NSTAR Companies or their affiliates or subsidiaries should not be contacted regarding this transaction.

Thank you for your consideration. We look forward to working with you on this exciting opportunity.

Sincerely,

CONCENTRIC ENERGY ADVISORS, INC.

A handwritten signature in black ink, appearing to read "Robert B. Hevert", written in a cursive style.

Robert B. Hevert
President

Enclosures:

Confidentiality Agreement
Request for Qualifications

CONFIDENTIALITY AGREEMENT

This AGREEMENT is entered into as of the ____ day of ____, 2003 by and between Boston Edison Company, Commonwealth Electric Company and Cambridge Electric Light Company, each being a Massachusetts corporation with a principal place of business at 800 Boylston Street, Boston, Massachusetts ("NSTAR Companies"), and _____, a _____ with a principal place of business at _____ ("Counterparty"). NSTAR Companies and Counterparty are collectively referred to as "the Parties", and also individually as the "Party", herein.

Preamble

The Parties desire to engage process to value certain power purchase agreements ("PPAs") in considering the possible sale of those PPAs ("Possible Sale") by NSTAR Companies to Counterparty.

In the course of this process the parties intend to exchange confidential and proprietary information, as hereinafter described.

Agreement

In consideration of the covenants set forth herein, the Parties agree as follows:

1. EXCHANGE OF CONFIDENTIAL INFORMATION

- 1.1 The Parties agree to exchange confidential and/or proprietary information that may include business plans, financial data, load data, supply and resource data, contractual terms, pricing, proposals and other market-sensitive information, all of the foregoing being referred to herein as "Confidential Information." The Confidential Information may be conveyed in the course of the discussions between the parties, or in hard copy and/or electronic form. A Party providing Confidential Information under this Agreement is referred to herein as the "Disclosing Party," and the party receiving Confidential Information is referred to as "the Recipient."

2. RELIANCE ON INFORMATION

- 2.1 The parties acknowledge that neither NSTAR Companies nor their representatives nor any of the respective officers, partners, directors, employees, agents or controlling persons of NSTAR Companies or such representatives makes any express or implied representation or warranty as to the accuracy or completeness of any Confidential Information, and Counterparty agrees that none of such persons shall have any liability to Counterparty or its representatives or to any other person relating to or arising from Counterparty's use of any Confidential Information or for any errors therein or omissions therefrom. Counterparty agrees that it is not entitled to rely on the accuracy or completeness of any Confidential Information and that it shall be entitled to rely solely on such representations and warranties regarding Confidential Information as may be made in any final acquisition agreement relating to the Possible Sale, subject to the terms and conditions of such agreement.

3. PROTECTION OF INFORMATION

- 3.1 The Recipient acknowledges the proprietary rights of the Disclosing Party in and to the Confidential Information. The Parties further acknowledge and agree that no license or other proprietary interest in the Confidential Information is granted or transferred to Recipient hereby, or by the receipt of such Information by Recipient. The Recipient also acknowledges and agrees that the Confidential Information is furnished to it on a confidential basis, for the sole and exclusive use of the Recipient in connection with the aforementioned discussions, and the Recipient agrees that it will not use the Confidential Information for any other purpose nor publish, disclose or otherwise divulge the Confidential Information to any person, entity, or firm without the prior written consent of the Disclosing Party, except as provided herein. The Recipient shall permit access to the Information only to those of its and affiliates' own employees, officers, directors and consultants who have a need to know for purposes of the referenced discussions.
- 3.2 The copies made of said Confidential Information must be returned or destroyed upon the request of Disclosing Party. The Recipient shall upon request confirm in writing by affidavit that it has returned the Confidential Information or that all copies of the Information have been destroyed.
- 3.3 If the Recipient is requested by a governmental or judicial body to release to such body any Confidential Information, the Recipient shall notify the Disclosing Party of such request as soon as practicable to allow the Disclosing Party to seek an appropriate protective order. Absent a protective order, if required by order of a governmental or judicial body, the Recipient may, subject to protest and appeal by either party, release to such body the Confidential Information required by such order, provided that the Recipient shall use its best efforts to cause that body to treat such Confidential Information in a confidential manner, and prevent such information from becoming a part of the public domain.
- 3.4 Except as otherwise provided herein, in performing its obligations under this Article 2, the Recipient shall employ at its own cost procedures no less restrictive than the strictest procedures used by the Recipient to protect its own confidential information to prevent unauthorized disclosure or use of Confidential Information provided hereunder.
- 3.5 The Recipient agrees that remedies at law may be inadequate to protect Disclosing Party in the event of a breach of this Agreement, and the Recipient hereby in advance agrees to the granting of injunctive relief in favor of the Disclosing Party, to prevent the continuation of any such breach without proof of actual damages.
- 3.6 This Article 3 shall survive termination of this Agreement.

4. LIMITATIONS ON OBJECTIONS

- 4.1 The parties acknowledge the collective benefit to all persons participating in the Possible Sale process of finality in the process and of NSTAR Companies providing Counterparty with access to the Confidential Information pursuant to this letter agreement, the sufficiency of which consideration is hereby acknowledged, Counterparty further agrees (i) not to object in any regulatory proceedings seeking authorization relating to any sale of a power purchase agreement by NSTAR Companies and (ii) not to seek from any regulatory agency or any court any order, judgment or decree that Counterparty's bid was the "highest" or "best" bid, that Counterparty should have been chosen as the successful bidder in the process, that NSTAR Companies erred in their evaluation of the price, terms or conditions of Counterparty's bid or any bid of any other participant in the process as compared to

the chosen successful bidder's bid (if there be one), or that NSTAR Companies otherwise exercised in their discretion in connection with this process in an inappropriate manner.

5. GENERAL CONDITIONS

- 5.1 The term of this Agreement shall commence as of the date hereof and shall continue for a period of three (3) years thereafter, and may be extended from month to month by written agreement.
- 5.2 No waiver, consent, or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by duly authorized representatives of both of the parties hereto, and no waiver by any party of any default of the other shall be deemed to be a waiver by such party of any other default.
- 5.3 If any court shall deem any provision of this Agreement unenforceable by reason of the extent or duration of the covenants contained herein or for any other reason, then the parties agree that the court shall reduce or modify as appropriate the provision hereof that is unenforceable so as to render such provision (and/or the remaining provisions of this Agreement) enforceable, and that this Agreement as so modified shall otherwise remain in full force and effect in accordance with its terms.
- 5.4 Confidential Information is provided hereunder without warranty or representation by the Disclosing Party as to the accuracy or completeness thereof.
- 5.5 Except to the extent set forth in this Confidentiality Agreement, Counterparty agrees that until a final acquisition agreement regarding the Possible Sale has been executed by the Parties, neither the nor its representatives are under any legal obligation and shall have no liability to Counterparty of any nature whatsoever with respect to the Possible Sale by virtue of this agreement or otherwise.
- 5.6 This Agreement represents the entire Agreement between the parties with respect to the subject matter set forth herein, may only be amended by a writing signed by the parties, shall inure to and be binding upon the parties and their respective successors and assigns.
- 5.7 This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by and construed and enforced in accordance with the law of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above-stated.

BOSTON EDISON COMPANY
COMMONWEALTH ELECTRIC COMPANY
CAMBRIDGE ELECTRIC LIGHT COMPANY

By: _____

By: _____

Title: _____

Title: _____

**NSTAR PPA AUCTION
REQUEST FOR QUALIFICATIONS**

Parties that intend to submit Bids for the 24 Power Purchase Agreements (“PPA Entitlements”) totaling approximately 1,100 MW of capacity and associated energy must provide a complete Qualifications Package. Upon receipt and approval of the Qualifications Package, the interested party will become a “Qualified Bidder” as described in the Confidential Offering Memorandum. Qualifications Packages must be received no later than October 31, 2003 and should be organized as described below:

1. Identification of Parties: Each prospective Bidder must identify the entities that will submit their Bid. This information must include:
 - a. The name and role of each entity included in the bidding group;
 - b. Primary and secondary contact information for individuals responsible for submitting Bids;
 - c. Name and contact details for any advisors retained in connection with the bidding process;
 - d. Any and all anticipated partners; and
 - e. If known, the source of funds and a general description of the anticipated transaction financing.
2. Identification of Assets:
 - a. For the purpose of assessing potential market power issues, each prospective Bidder must identify generating assets, both physical and contractual, that it owns, operates or controls within NEPOOL.
3. Financial Qualifications: NSTAR will qualify prospective Bidders based in part on their demonstrated ability to finance the proposed transaction. NSTAR will not accept Bids that contain financing contingencies. For the purposes of establishing financial capability, prospective Bidders must, to the extent available, for each bidding group, submit all reports filed with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder for the most recent two (2) fiscal years. If the prospective Bidder is not required to file the reports noted above, audited or certified financial statements for the same periods must be provided.

**NSTAR PPA AUCTION
REQUEST FOR QUALIFICATIONS**

4. Conflicts of Interest: Each prospective Bidder must briefly describe any known material conflicts of interest between itself or any member of its bidding group and NSTAR including, but not limited to:
 - a. Any litigation involving the prospective Bidder or any member of the bidding group and any of the NSTAR Companies;
 - b. Any claims asserted by the prospective Bidder or any member of the bidding group against any of the NSTAR Companies; and
 - c. Any indebtedness of the prospective Bidder or any member of the bidding group to any of the NSTAR Companies as a borrower, guarantor or otherwise.
5. Necessary Approvals: Prospective Bidders should indicate all internal and external approvals required to close the transaction. Bids subject to further internal approvals will not be accepted.

Prospective Bidders must provide the information requested herein to NSTAR through its advisors, Concentric Energy Advisors ("CEA"), at the addresses shown below no later than Friday, October 31, 2003. NSTAR and CEA will review the Qualifications Package upon receipt. *Prospective Bidders must be qualified by NSTAR in order to submit Bids.*

Please send two copies of the Qualifications Package to the address shown below:

Robert Hevert
President
Concentric Energy Advisors
313 Boston Post Road West, Suite 210
Marlborough, MA 01752
Phone: (508) 263-6204
Fax: (508) 303-3290
Email: bhevert@ceadvisors.com

Please direct any questions regarding this or any other aspect of this transaction to Robert Hevert at the number noted above.



CONCENTRIC ENERGY ADVISORS

313 Boston Post Road West, Suite 210
Marlborough, MA 01752
508.263.6200 • 508.303.3290 *fax*
www.ceadvisors.com

Testimony of Robert B. Hevert

D.T.E. 04-68

Exhibit NSTAR-RBH-4

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PRIVILEGED AND CONFIDENTIAL

November 6, 2003

Dear:

On behalf of the NSTAR Electric & Gas Corporation ("NSTAR" or the "Company"), the parent company of Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company (collectively, the "NSTAR Companies"), Concentric Energy Advisors, Inc. ("CEA") is writing to inform you of the timing and procedures for submitting final bids ("Bids") regarding the transfer of entitlements to certain power purchase agreements ("PPAs").

FINAL BID DUE DATE AND CONCLUSION OF DUE DILIGENCE

Final Bids will be due at 12:00 noon EST on Tuesday, November 25, 2003. The deadline for submitting remaining due diligence questions and for participating in meetings or conference calls with NSTAR management will be Friday, November 21, 2003.

1. ***Bid Form:*** Bidders should complete and provide the PPA Entitlement Bid Form for each PPA for which a bid is being submitted. Please note that bids will be evaluated based on proposals submitted as of November 25, 2003. As noted in Paragraph 6 below, Bidders should assume a closing date of April 1, 2004. *To the extent that bids must be periodically re-marked to reflect changes in market conditions prior to the closing date, or changes in the date of the closing, bidders should provide the formula and indices that would be used to adjust such bid. Please note that both the complexity of re-marking formulas and the level of re-pricing will be factors considered by the Company in its evaluation of bids.*
2. ***Confirmation of Bidding Group:*** List all parties in the bidding group (as defined in the Request for Qualifications). If there have been any changes to the bidding group since the qualification process, such changes must be clearly identified.
3. ***Bidders may form consortia:*** In such cases, CEA must be promptly notified and a lead Bidder must be designated for the purpose of communications and possible negotiations.
4. ***Identification of Advisors:*** Identify all advisors to the Bidder, along with their respective roles.

5. **Identification of Interest:** Clearly identify the PPAs for which the Bid is being submitted. If separate Bids are being submitted for different PPAs or combinations of PPAs, clearly identify each such Bid and the PPAs to which it applies.
6. **Pricing Options:** For each PPA Entitlement being sought, clearly state the pricing Option and amounts for that PPA. For the purpose of the Bid, the effective date of the ETA should be assumed to be April 1, 2004. As noted above, bidders must provide, their proposed adjustment formulas and underlying indices intended to reflect changes in market prices or the timing of closing.
7. **Approvals:** Provide a list of regulatory, and/or governmental and other approvals required to close the transaction(s) contemplated, the process for obtaining and estimated time required to secure such approvals. ***Please note that Bids contingent upon board, shareholder or other internal approvals may be rejected. All proposals must be signed by an official authorized to bind the Bidder.***
8. **Financial Qualifications:** Each Bidder or its unconditional guarantor is required to demonstrate that it meets minimum credit criteria, including maintenance of an investment grade credit rating and a minimum capitalization threshold sufficient to support its bid through the term of the longest-lived PPA Entitlement in its bid package. To that end, the Bidder may be required to provide a stand-by letter of credit or similar security instrument provided by an investment grade commercial bank. The term of the security instrument together with detailed security provisions are described in the Transaction Agreements.

Bidders must explain how the required financial security would be provided and the status of any documentation required for the Bidders to provide such security. In addition, if the Bidder proposes to provide financial assurance through a parent and/or affiliate, the Bidder should submit similar information with respect to that entity.

To the extent a special purpose entity ("SPE") is anticipated, the Bidder must provide the identity and relationship between the SPE and the entity providing the necessary credit support and indemnities. As stated above, the Bidders must identify the entity providing credit support for the proposed transaction and ongoing financial obligations, as well as its relationship to the Bidder or bidding group.

9. **Exceptions to the Entitlement Transfer Agreement:** To the extent a Bidder wishes to propose bid-enhancing exceptions to the Entitlement Transfer Agreement, the Bidder must include an electronically marked copy of the documents. All proposed language additions, deletions, or changes should be clearly marked and should be indicated in the relevant place in the text of the documents. The extent and nature of the proposed exceptions will be taken into consideration in evaluating Bids. Significant deviations from the terms as stated in the Transaction Agreements will be viewed negatively in the Bid evaluation process.

Three paper copies of your entire Bid package and one electronic copy (MS Word format) of any proposed modifications to the Entitlement Transfer Agreement, and the PPA Entitlement Bid Form should be delivered by Tuesday, November 25, 2003 12:00 noon EST to:

PRIVILEGED AND CONFIDENTIAL

Concentric Energy Advisors
313 Boston Post Road West, Suite 210
Marlborough, MA 01752
Attention: Robert B. Hevert
Telephone: 508.263.6204

The NSTAR Companies intend to select the successful bidder(s), with the assistance of CEA, as soon as practicable following the receipt of Bids. NSTAR expressly reserves the right, in its sole and absolute discretion, to negotiate with one or more Bidders at any time during this process. All Bidders will be notified regarding the outcome of this process if, when and as appropriate. NSTAR, and CEA on its behalf, reserves the right to terminate the bidding and solicitation process and to modify any of the rules or procedures set forth herein, or any other procedures, at any time without prior notice and without assigning any reason. All Bidders will be notified of any such modifications if, when and as appropriate. CEA will continue as the point of contact regarding the Bid submission process, including continuing due diligence matters.

If you have any questions about these instructions, or require any additional information regarding this bidding process, please contact your Bidder Representative. Finally, please note that the existence and content of this letter, and the existence, content and status of any Bid are subject to the Confidentiality Agreement previously executed by you.

On behalf of the NSTAR Companies, thank you for your continuing interest in this process.

Regards,

CONCENTRIC ENERGY ADVISORS, INC.



Robert B. Hevert
Phone: 508.263.6204
Email: bhevert@ceadvisors.com

Enclosures: Attachment 1: PPA Entitlement Bid Form

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PPA ENTITLEMENT BID FORM

Bidders should provide three (3) hard copies, and one electronic copy of this bid form for each PPA.

Name of Bidding Group: _____

Name of PPA Entitlement: As provided
in Section 5 of the Offering Memorandum _____

Pricing: Pricing for each of the PPA Entitlements can be structured in either of two ways. Option 1 is a lump sum payment from the Bidder to NSTAR (positive number) or from NSTAR to Bidder (negative number) based on NSTAR paying the indicated monthly support payments for each contract. NSTAR will provide each Bidder a schedule of monthly support payments for the term of each of the PPAs. Bidders should evaluate the PPA based on that support payment and propose a price they would pay (a positive number) or payment they would require from NSTAR (a negative number) to assume the rights and obligations of the PPA pursuant to the ETA. Option 2 is available for contracts with energy only pricing under the PPA (no fixed charges). Under Option 2 bidders should indicate the price per megawatt hour they would pay to NSTAR for energy delivered pursuant to an entitlement transfer of that PPA.

All bids should be for the full remaining term of any PPA and for the full output associated with any PPA. All bids are to be quoted in US dollars.

Pricing Option 1: Fixed Monthly Entitlement Support Payment from NSTAR to the Bidder:

Year	MONTHLY Support Payment	Year	MONTHLY Support Payment
2004	(To Be Supplied NSTAR)	2016	(To Be Supplied NSTAR)
2005	(To Be Supplied NSTAR)	2017	(To Be Supplied NSTAR)
2006	(To Be Supplied NSTAR)	2018	(To Be Supplied NSTAR)
2007	(To Be Supplied NSTAR)	2019	(To Be Supplied NSTAR)
2008	(To Be Supplied NSTAR)	2020	(To Be Supplied NSTAR)
2009	(To Be Supplied NSTAR)	2021	(To Be Supplied NSTAR)
2010	(To Be Supplied NSTAR)	2022	(To Be Supplied NSTAR)
2011	(To Be Supplied NSTAR)	2023	(To Be Supplied NSTAR)
2012	(To Be Supplied NSTAR)	2024	(To Be Supplied NSTAR)
2013	(To Be Supplied NSTAR)	2025	(To Be Supplied NSTAR)
2014	(To Be Supplied NSTAR)	2026	(To Be Supplied NSTAR)
2015	(To Be Supplied NSTAR)		

**NSTAR PPA ENTITLEMENT
BID FORM
PAGE TWO**

Pricing Option 2: Fixed Price per MWH delivered under the contract:

Year	\$/MWH	Year	\$/MWH
2004		2016	
2005		2017	
2006		2018	
2007		2019	
2008		2020	
2009		2021	
2010		2022	
2011		2023	
2012		2024	
2013		2025	
2014		2026	
2015			

Is this bid separable from other PPA Entitlement bids made by Bidder? _____ (Yes/No)
If No, indicate the specific PPA Entitlements that should be considered as a bundle:

To the extent that any bid is subject either to a re-mark to market between the date of submission and the date of closing, or to a price adjustment based on variations in the closing date, please provide the formula specifying how the bid would be adjusted to reflect any such changes. For the purposes of this adjustment formula please assume that all PPA transfers would occur on the first day of the month and that the closing would occur between February 1, 2004 and April 1, 2004. Further, for all proposed re-marks, clearly indicate the starting value used to develop the bid and the published index or indices that provide the basis for the change.

Bidders should be aware that NSTAR will require any re-marking to be based on publicly available indices or data sources; and the Company strongly prefers that re-marking be kept to as low a level as possible.

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Initial OSP Bids - December 3, 2003

(In \$1,000's)	Portfolio Bid	OSP
Bidder A	\$ (1,717,683)	
Bidder B [1]	\$ (1,948,029)	
Bidder C	\$ (3,458,160)	
Bidder D		\$ (118,495)
CEA/NSTAR Valuation	\$ (1,892,000)	\$ (122,574) [4]

Final Bids - Spring 2004 [2]

Portfolio Bid	OSP
Bidder A [3]	N/A
Bidder B	N/A
Bidder C	N/A
Bidder D	\$ (119,997)
\$ (1,881,123)	\$ (128,002) [5]

[1] Portfolio bid excludes the OSP Contracts

[2] Includes updated market prices

[3] Bidder A did not provide a final binding bid

[4] CEA/NSTAR initial valuation based on a April 2004 PV

[5] CEA/NSTAR final valuation based on April 2004 PV

(in \$1,000's)		2004	2005	2006	2007	2008	2009	2010	2011
Line									
1	Boston Edison OSP 1								
2	Projected Market Price	\$6,193	\$8,007	\$7,022	\$6,564	\$6,773	\$6,975	\$7,305	
3	Projected Contract Cost	\$14,688	\$20,600	\$21,345	\$18,157	\$17,092	\$17,498	\$17,110	
4	Above Market Amount	\$ (8,494)	\$ (12,592)	\$ (14,323)	\$ (11,593)	\$ (10,319)	\$ (10,523)	\$ (9,806)	\$ -
5	Present Value [1]	\$ (60,573)							
6									
7									
8	Boston Edison OSP 2								
9	Projected Market Price	\$ 6,206	\$ 8,023	\$ 7,036	\$ 6,577	\$ 6,786	\$ 6,989	\$ 7,319	\$ 5,693
10	Projected Contract Cost	\$ 14,819	\$ 21,525	\$ 21,102	\$ 20,426	\$ 17,678	\$ 16,926	\$ 17,474	\$ 13,211
11	Above Market Amount (2011 is a partial year)	\$ (8,614)	\$ (13,502)	\$ (14,066)	\$ (13,849)	\$ (10,892)	\$ (9,937)	\$ (10,155)	\$ (7,518)
12	Present Value [1]	\$ (67,429)							
13									
14									
15									
16	Total PV of Above Market Amount [1]	\$ (128,002)							
17									
18	OSP Termination Price	\$ (119,997)							
19	% Savings	6.25%							
20									
21									
22									
23									
24									
25									

NOTES

[1] Present value at 7.82% as of 4/1/04; projected contract cost based on final OSP bid

Henwood Power and Fuel Forecast Market Prices [1]
Average Annual Prices (Nominal \$)

Line	Year	RI 24/7	Gas Henry Hub (\$/MMBtu)
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1	2004		
---	------	--	--

2	2005		
---	------	--	--

3	2006		
---	------	--	--

4	2007		
---	------	--	--

5	2008		
---	------	--	--

6	2009		
---	------	--	--

7	2010		
---	------	--	--

8	2011		
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9			
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10			
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11			
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12	[1] Henwood Energy Services Inc.'s Northeast Electricity and Gas Price Outlook, Fall 2003, with update from May 2004, for years 2004 through 2006		
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13			
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REDACTED

Projected Market Price Summary

Line	Year	Total KWh [1]	Total KWh [2]	SEMA Prices (\$/MWh)	Boston Edison OSP 1 Market Prices	Boston Edison OSP 2 Market Prices
1	2004					
2	2005					
3	2006					
4	2007					
5	2008					
6	2009					
7	2010					
8	2011					
9						
10						
11						
12						
13						
14						
15						

REDACTED